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Austria	Sch24	Indonesia	Rp3700	Philippines	Peso40
Bahrain	Din0.700	Iran	Rls210	Poland	Zl9,000
Belgium	BFr55	Israel	Shk3.50	Portugal	Esc180
Cyprus	C£0.80	Italy	L2000	Qatar	QR8.50
Denmark	DKr12.00	Jordan	Fils1000	S.Arabia	SR7.00
Egypt	E£3.25	Kuwait	Fils.800	Singapore	S$4.10
Finland	FM8.50	Lebanon	L£900.00	Spain	Pta185
France	FFr7.50	Lux	LFr55	Sweden	SKr12
Germany	DM2.60	Malaysia	M$4.25	Switz	SFr2.50
Greece	Dr150	Morocco	Dh6.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.25	Tunisia	Din1.000
Hungary	Ft107	Nigeria	Naira10	Turkey	L1400
Iceland	IKr160	Norway	NKr12.00	UAE	Dh7.00
India	Rs15	Oman	OR1		

HONG HONG

The corporate rush for new domiciles

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World News

Bomb blast kills sergeant at London army office

A British Army sergeant was killed and another sergeant seriously hurt in a bomb explosion outside an army recruitment office in London.

Police said the bomb was in a van parked at the back of the office opposite a police station in Wembley. On Monday, an Irish Republican Army bomb outside another army building in London injured seven people.

Albanian strike

Two thousand workers went on strike for more pay at a big textile factory at Berat, Albania, last month. It was the first confirmed strike in 45 years of one-party rule, sources said. Page 3

Iran-EC contact

Iran, tentatively trying to improve relations with the west, re-established high-level contact with the European Community by meeting Foreign Ministry officials from France, Italy and Ireland in Dublin. Page 6

Sandinista threat

Pro-Sandinista unions threatened to paralyse Nicaragua after police clashed with state workers who defied a call from President Violeta Chamorro to end their five-day strike.

Gold miners killed

Two white miners were killed in a clash with black workers at a gold mine in Welkom, south of Johannesburg. A union official said security men used tear gas and rubber bullets against protesters.

Nazi criminal sought

East Germany, in an unprecedented move underscoring its desire for diplomatic ties with Israel, said it was asking Syria to extradite wanted Nazi war criminal Alois Brunner.

Hawke steps in

Australian Prime Minister Bob Hawke moved to end an embarrassing Cabinet row over the economy by ordering his ministers to stop criticising each other in public. Page 6

Demjanjuk appeal

The Israeli court that sentenced John Demjanjuk to death for Nazi war crimes ignored flaws in evidence, his lawyer argued during an appeal hearing.

UK beef inquiry

The so-called "mad cow disease" which has caused British beef to be taken off some UK school menus is to be investigated by an all-party committee of the House of Commons. EC beef ban, Page 11

Ivory Coast alert

Ivory Coast's main airport was closed and soldiers guarded key installations as hundreds of army recruits demanding a pay rise careered through the city in commandeered cars.

Bhutto seeks help

Pakistan's Prime Minister Benazir Bhutto arrived in Turkey on the second stop of a tour of eight Moslem states to seek support for her country's dispute with India over Kashmir.

Libyan demand fails

A Libyan attempt at the World Health Organisation to obtain $5bn compensation for occupation and damage caused in two world wars was rejected.

Bomber's remorse

Kim Hyun-hui, 28, a North Korean woman pardoned after being sentenced to death for bombing a South Korean airliner in 1987, has become a Christian and says she is too remorseful to marry.

Sammy Davis dies

Sammy Davis Jr, the song-and-dance man who became an entertainment institution, died of cancer in Beverly Hills at 64. Jim Henson, creator of the Muppets, died in New York, aged 53.

Business Summary

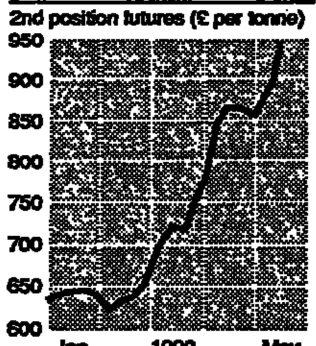
Tokyo SE to investigate trading of bank shares

Tokyo Stock Exchange started an investigation into the trading of shares of the Long Term Credit Bank, one of Japan's top banks, to check for possible infringements of insider trading laws. Page 18

MARKETS: Cocoa prices in London hit the highest levels for 21 months on reports that mutinous soldiers had occupied the national television station and airport in the Ivory Coast capital of Abidjan. Page 6. Tokyo: Nikkei finished with a drop of 29.42 at 31,967.62. Wall Street: Stock prices stalled at lower levels during moderate trading. Back Page, Section II

Cocoa

2nd position futures (£ per tonne)



COMPAGNIE Financière de Suez, French financial and industrial conglomerate, has announced a 51 per cent increase in net profits last year to $730m. Page 19

CONTINENTAL, West German tyre group, intends to keep its 13 per cent shareholding in Kwik-Fit, UK tyre and car parts retailer. Page 19

VOLVO, Swedish motor group, is discussing buying all or part of the Dutch Government's 70 per cent interest in Volvo Car BV, their jointly owned company. Page 19

THOMSON Corporation, Canadian-controlled publishing and travel group, reported a first quarter earnings fall. Page 19

ALAN BOND, financially troubled Australian businessman, is said to be in serious negotiations to sell his substantial stake in British Satellite Broadcasting. Page 21

EUROCLEAR and Cedel, international clearing organisations, are close to breakdown in talks over settlement and trade matching. Page 22

EC allowed the Gatt council to adopt a ruling that its anti-dumping action against Japanese "screwdriver" assembly plants was illegal. Page 8

CIRCLE K, US store chain burdened by $1.1bn of debts, has filed for bankruptcy court protection. Page 21

MANUFACTURERS Hanover, the eighth largest US banking group, unveiled a sweeping reorganisation to restructure business areas against changing markets. Page 21

KREDITTILSYNET, Norway's securities regulator, has stopped brokers from trading options in Norwegian stocks in London on behalf of their own clients. Page 22

ROLLS-Royce signed an agreement with Sukhoi and Lyulka, Soviet aerospace design groups, that could lead to the development of a new engine for a business jet. Page 8

NEWS Corporation, UK media group owned by Rupert Murdoch, has entered a strategic alliance with Hubert Burda, one of West Germany's largest publishers and printers. Page 21

ORION Network Systems, private US satellite company, received a commitment from Chase Manhattan Bank to arrange a credit facility for up to $395m, overcoming a big hurdle in its plan to launch two private telecommunications satellites in the mid-Atlantic. Page 23

Bond issues instead of tax increases to meet cost of East German reconstruction

Bonn plans DM115bn unity fund

By David Marsh in Bonn

THE GERMAN Unity Fund, the new government-backed financing vehicle channelling loans into rebuilding East Germany, plans to raise DM20bn ($12.2bn) in D-Mark bonds and other funding instruments in the second half of this year.

Mr Theo Waigel, the Bonn Finance Minister, yesterday announced details of the fund which is aimed to raise loans of DM95bn ($58bn) during the next 4½ years.

The Fund's total volume, designed to cover two-thirds of the East German budget deficit up to the end of 1994, will be DM115bn. Of this, DM20bn will be paid in from budgetary savings by the central Bonn Government.

The bond issues, similar to the range of debt instruments already issued by the federal Government, are expected to appeal to both domestic and foreign investors.

The fund will take pressure off federal and state (Land) government finances by shifting a sizeable amount of funding for German unity outside normal budgetary channels. It is designed to remove any need to raise taxes during the politically sensitive phase of completing German reunification during the next year or so.

Mr Waigel and state finance ministers reached basic accord on the plan on Tuesday evening. Formal approval to establish the Fund was given by Land Prime Ministers in a 2½-hour meeting with Chancellor Helmut Kohl yesterday morning. Interest and principal payments in coming years will be borne half each by the central government and the states.

Financial analysts yesterday drew parallels between the Fund and the "off-budget" credit-raising mechanisms used in West Germany after the Second World War to channel aid into economic recovery. Mr Max Streibl, the Bavarian Prime Minister, called the Fund "a new Marshall Plan" for East Germany.

He said after the meeting with Mr Kohl that it "removed from the table (any question of) tax increases."

The fund's creation disarms strong political resistance to Mr Waigel's earlier idea of calling on the Länder to pay one third of the cost of German unity.

This plan became politically untenable after the Opposition Social Democrats in regional elections on Sunday won a majority in the Bundesrat, the upper house of parliament grouping state representatives, which has a veto over tax legislation.

Under yesterday's agreement, proposals to change the share-out of tax revenues among the states and the Länder have been shelved. In a clear concession to SPD-run Länder, there will be no changes before 1994 in the federal financing system shifting resources between the poorer northern and the richer southern West German states.

The Fund is an important accompaniment to the formal treaty on monetary and economic union between East and West Germany, which the two Governments are due to sign tomorrow in Bonn. This will allow the D-Mark to become East German currency from July 2.

The total fund volumes, including the central government contribution, will be DM22bn this year, followed by DM35bn in 1991, DM28bn in 1992, DM20bn in 1993 and DM10bn in 1994.

Bonn estimates that the East German budget deficit in the

Continued on Page 18

Leaders address parliament, Page 3

Shevardnadze and Baker focus on Baltic problems

By Quentin Peel in Moscow

MR JAMES BAKER, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, last night opened their final pre-summit negotiations amidst growing concern that the confrontation in the Baltics, and disarmament disagreements, might prevent any significant progress.

Moscow's apparent refusal to contemplate any negotiations with Lithuania, and President Mikhail Gorbachev's denunciation of the secession moves of both Estonia and Latvia, was the top item on the agenda as the two sat down to an extended one-to-one dinner in the Soviet capital.

At the same time, both Mr Baker and Mr Shevardnadze separately confirmed that substantial differences still divided them in finalising agreement on the Strategic Arms Reduction Treaty (START), which Mr Gorbachev and Mr George Bush are supposed to settle at the summit.

Indeed, US officials expressed the fear that the Soviet Union's internal problems, including the confrontation in the Baltics, turmoil in the ruling Communist Party, and growing economic dislocation, were now distracting the negotiators, including Mr Shevardnadze, from the superpower relationship.

They believe that the chance of settlements of regional conflicts, such as Afghanistan, may be lost because of the Soviet side's confusion. Moreover, any agreement on the destruction of chemical weapons, another great hope for the summit, is being delayed by the Soviet Union's physical inability to guarantee when and how it can be done.

The Lithuanian parliament last night prepared to suspend the effect of all the laws it has passed since declaring independence from the Soviet Union on March 11, in its most urgent attempt so far to persuade the Soviet Union to open negotiations.

However, they will not go back on their reassertion of independence. Page 18

The gloomy prognosis was given yesterday despite the obvious desire of both Mr Baker and Mr Shevardnadze to make real progress.

The Baltic issue has now emerged as possibly the greatest stumbling block, with Mr Baker saying that the situation was "not encouraging."

"We would like to see a dialogue develop with respect to the Baltics in general," he said. "That dialogue has not yet developed. It is not encouraging to us to see the absence of a dialogue."

A senior State Department official said later that Mr Baker expected Mr Shevardnadze to give him an explanation of Mr Gorbachev's thinking on the secession moves of Lithuania, Latvia and Estonia, and of his rejection so far of any talks.

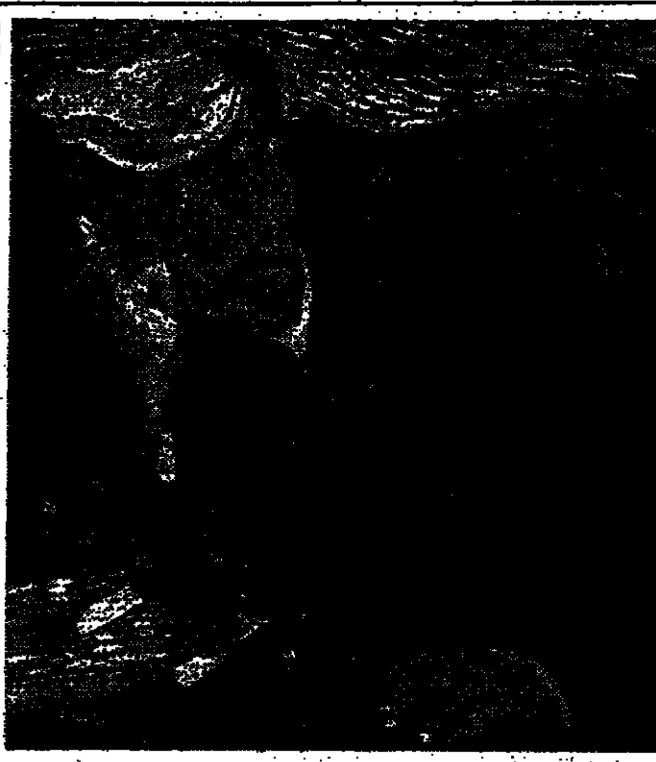
On START, the sticking point is the renewed Soviet insistence that sea-launched cruise missiles must be included in the treaty. Mr Baker confirmed that he had submitted new proposals to Mr Shevardnadze when the two met in Bonn earlier this month. The preliminary Soviet response "leaves us with some ground that we still have to cover: there are still a number of issues between us," he said.

START is supposed to commit both superpowers to deep cuts in several categories of nuclear weapons, with up to 50 per cent being destroyed in some cases.

Despite good personal relations (both top officials have now met nine times in 14 months), the US side has begun to express some doubt about Soviet ability to deliver agreements from its side.

Officials said that on Afghanistan, there was now little to divide them in agreeing new steps to bring the warring parties together - except that Mr Shevardnadze simply did not have time to concentrate on the issue.

The problem on chemical weapons is rather a practical consequence of both political protest and economic decline: a chemical weapons destruction plant has been halted by environmental protesters and Soviet officials now say they cannot guarantee any deadline for complying with an agreement.



Van Gogh portrait sells for $82.5m

By Antony Thorncroft in New York

CHRISTIE'S record price for an auctioned work of art – the $82.5m sale of a Van Gogh on Tuesday night in New York – will be challenged this evening.

The auction house's jackpot evening will have put the pressure on rival Sotheby's for tonight's crucial impressionist sale based around a Renoir party scene which could exceed the Christie's record.

The scene is set for an intense battle. Whatever the outcome, however, Tuesday's record will have gone some way towards calming the rattled nerves of the art market. Van Gogh's portrait of his physician Dr Gachet was regarded as a masterpiece – "one of the five finest paintings we have ever handled," according to Mr Christo

Continued on Page 18

General Dynamics, BAe form strategic alliance

By Paul Betts and David White in London

GENERAL DYNAMICS of the US and British Aerospace, two of the world's largest defence companies, are forming a strategic alliance to bolster their military business in an increasingly uncertain defence market.

The two groups said yesterday they had signed an agreement to co-operate on international projects in defence procurement and technologies.

Under the agreement, General Dynamics and BAe will explore a wide range of industrial investments, technology transfers and programmes to "promote sales or lay the foundation for other collaborative projects", General Dynamics said.

The agreement is the latest example of the growing trend towards international links and consolidations in the defence industry. Already this year, BAe has embarked on plans to pool its missiles business with Thomson CSF of France.

The broad defence co-operation agreement with General Dynamics reflects BAe's efforts to increase its US presence. Mr Dick Evans, BAe's chief executive, recently said the UK group needed "a US dimension". He added that BAe had developed a European and Japanese dimension but still lacked a "a strategic partnership in the US."

However, BAe's deal with General Dynamics, the second biggest US defence contractor, could be construed as a reversal of BAe's alliances in the US. BAe has had up to now closest ties with McDonnell Douglas, the largest US defence group and General Dynamics' main rival.

BAe's links with McDonnell Douglas have involved specific joint venture projects including US production of Harrier and Hawk aircraft. But the UK group has sought a broader strategic relationship with a US partner.

The first result of the pact is to link Royal Ordnance, BAe's munitions and armaments subsidiary, with General Dynamics' sales pitch in the competition for the British Army's new tank.

But a BAe official said yesterday the agreement was designed to be as broad as possible and could well eventually involve aircraft co-operation.

Under the Royal Ordnance agreement, the British-

Continued on Page 18

Bush urges Fed to cut interest rates as inflation fears decline

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday called for a cut in US interest rates following new figures pointing to a moderation of inflationary pressures and a slowdown in economic activity.

In his most direct appeal for several months to the Federal Reserve, the US central bank, Mr Bush said he would "like to see interest rates falling. I think when fears of inflation decline, one might expect interest rates to come down."

However, he has had no guarantee from the Fed that interest rates might be cut if there is a successful outcome to budget negotiations with Congressional leaders which started on Tuesday.

The Fed's policymaking open market committee has just held its regular six-weekly meeting and there has been no sign yet of an early change in its tight monetary policy stance.

At a White House press conference yesterday, Mr Bush suggested that the budget negotiations should aim at reducing the deficit by about $50bn in the first year - although the excess above the statutory deficit target is likely to be larger.

Mr Bush said the negotiators had to consider "what percentage can be taken out of the economy and not threaten its dynamism." Noting that the US economy was currently growing at an annual rate of about 2 per cent, he said that any budgetary measures which were equivalent numerically to anything over half of that would "risk slowing down the economy further and thus exacerbating the problem rather than making it better."

This is equivalent to around $50bn and ties in with suggestions by Mr Richard Darman, the Budget Director, that deficit cuts in the 1991 fiscal year starting this October should be in the $45bn-$55bn range. The Gramm-Rudman deficit reduction law sets a target of a $64bn deficit for 1991, with a $10bn leeway on top.

Mr Darman has told Congressional leaders that some mix of spending cuts and higher revenues of $54bn-$66bn needs to be found to avoid triggering automatic across-the-board spending cuts this October. This projection of a deficit of $128bn-$140bn is before taking into account another $50bn plus for the working capital costs of buying and holding the assets of failed savings and loans concerns.

Mr Bush said that, while he wanted to stress the importance of an early budget agreement, he did not want to "do something that might inadvertently suggest crisis and frighten markets."

He said the immediate priority in the talks, which resume later today, was for both sides to agree on the size of the problem and then to produce a bipartisan answer. He rejected a suggestion by the Democratic Congressional leadership that he should put forward administration proposals first.

Democratic leaders are still highly suspicious of Mr Bush's intentions, feeling that the Administration wants to saddle them with the responsibility and blame for any tax increase in the final budget package.

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French identity fears feed racism and anti-Semitism

The assumption that the recent attack on a Jewish cemetery in France highlights latent anti-Semitism is a boon to Jean-Marie Le Pen's National Front, but there is no proof the Front was to blame

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MARKETS

STERLING
New York close
$1.680 (1.6737)
London:
$1.679 (1.6775)
DM2.7575 (2.7625)
FFr9.2975 (9.3225)
SFr2.35 (2.3450)
Y254.0 (same)
£ index 87.4 (87.5)

GOLD
New York: Comex Jun
$370.3 (372.3)
London:
$369.5 (367.75)

N SEA OIL (Argus)
Brent 15-day Jul
$17.825 (17.925)

Chief price changes yesterday: Page 19

DOLLAR
New York close
DM1.6457 (1.646)
FFr5.548 (5.5535)
SFr1.4015 (1.3990)
Y151.85 (150.80)
London:
DM1.643 (1.6465)
FFr5.5375 (5.5575)
SFr1.399 (1.398)
Y151.35 (151.40)
$ index 67.0 (same)
Tokyo close: Y151.95

US closing rates
Fed Funds 8% (8$\frac{1}{16}$)
3-mo Treasury Bills:
yield: 7.889% (7.89)
Long Bond:
101$\frac{1}{32}$ (101$\frac{1}{8}$)
yield: 8.633% (8.615)

STOCK INDICES
FT-SE 100:
2,221.1 (+8.9)
FT Ordinary:
1,739.8 (+8.2)
FT-A All-Share:
1,094.43 (+0.4%)
FT-A World index:

New York close
DJ Ind. Av.
2,819.68 (−2.77)
S&P Comp
354.30 (−0.3)
Tokyo: Nikkei
31,967.62 (−29.42)

LONDON MONEY
3-month Interbank:
closing 15$\frac{5}{16}$% (15$\frac{1}{4}$)
Liffe long gilt future:
Jun 81$\frac{13}{32}$ (81$\frac{1}{8}$)

EUROPEAN NEWS

French identity fears that feed racism

Attacks on Jewish graves present the Government with a much wider problem

ON MONDAY, respectable France gave an impressive public display of protest at the desecration of the ancient Jewish cemetery at Carpentras last week. Tens of thousands marched through the streets of Paris, from the place de la Republique to the place de la Bastille, and in other French cities; and with them went virtually the entire political, social and religious establishment. President François Mitterrand joined the demonstrators, the first President of the Republic to have taken part in such a public demonstration since the Liberation.

Yet for all its symbolic resonance, it is not at all clear that this display of moral indignation, and of solidarity with the Jewish community, is an adequate answer to the problem. Indeed, even the problem is not clear.

The unstated assumption of respectable France is that the attack on the Jewish cemetery was a new and alarming demonstration of the strength of the latest undercurrent of racism and anti-Semitism in France, which is proving so destabilising to the political establishment, and such a boon for Mr Jean-Marie Le Pen and his extreme right-wing National Front party.

Yet the assumption that the desecration is the work of National Front is so far entirely unproven. Government officials may hope that arrests will lead to a spectacular trial of exemplary severity, but there is no guarantee that when discovered they will conform to the blond-haired stereotype of card-carrying members of the National Front. Indeed, one of the Government's anxieties is that the attack could have been carried out by any kind of deranged extremist, including, conceivably, Islamic fundamentalists. This would not make the underlying problems of racial conflict any more complicated but it would make political management more difficult to manage, and it might even play into the hands of Mr Le Pen.

It is particularly difficult for the authorities to allay the anxiety or defuse the conflicts, because two distinct sources of prejudice have become muddled together: historical anti-Semitism, and modern prejudice against North African immigrants. At some deep level of irrationality, no doubt, these two kinds of prejudice have something in common; but governments do not necessarily know how to treat deep levels of irrationality.

IAN DAVIDSON
ON EUROPE

In the kingdom of France the Jews were victims of discrimination over many centuries; Carpentras has a special place for French jewry, because the county of Provence and the Popes at Avignon provided an element of refuge. The Revolution in principle improved the legal situation, but it did not exorcise the habits of anti-Semitism, nor prevent the Dreyfus affair.

Moreover, France is still wracked by guilt over many aspects of the conduct of the Vichy Government during the war. Most shameful, as two French news magazines have reminded their readers recently, was the active French collaboration with Nazi anti-Semitism.

The case of the immigrants from the Maghreb is quite different. Unlike the Jews, North Africans have only arrived in large numbers in the last generation, as a consequence of decolonisation. But they are are far more numerous, accounting for some 40 per cent of the 4.5m immigrant population, and still increasing; whereas Jews in France are estimated to number 500,000-750,000.

Yet for all the historic and factual differences, it appears that anti-Semitism and anti-Moslem racism have been moving in step in France. In the past couple of years, there has been a steep increase in the incidence of threats both against both, though the number of racist *acts* has been lower and more stable. Not included in official figures, however, is the revelation that French companies have reduced their employment of immigrants by 41 per cent over the past 10 years; or the parallel fact that illegal immigrants probably number between 300,000 and 1m.

Conventional wisdom often draws a connection between the rise of racial tension and economic stress, and it may be part of the explanation. Mr Le Pen first started to achieve national prominence in 1984, after the Socialists made their delayed switch to a policy of economic rigour. But it may not be the whole story, since racial tension is now rising as the French economy goes from strength to strength.

A modified explanation is that the current wave of racism is linked partly to continuing economic stress, partly to deep anxieties about national identity. Most of France is prosperous but there are many unemployed, and many industries ill-equipped to face competition in the larger European market.

The prospect of this larger market resonates with political anxieties as well. All the respectable parties are now pro-Community, even though the Gaullists seem tempted to flirt with Gaullism again. Only the Communists and the National Front are solidly anti-European, and the Communist party is imploding as a result of secular failure, with many of its members switching to the National Front, whose only platform is nationalism and xenophobia.

There seem to be obvious parallels with the rise of anti-Semitism in eastern Europe: the removal of the Stalinist yoke spells freedom, but it also poses questions about national identity, and prompts the search for scapegoats to blame for the 45-year catastrophe.

The most interesting contrast is with West Germany, which only a while back seemed threatened by a rising tide of extremism in the Republican Party. Undoubtedly German unification will entail at least transitional economic stress. Yet Sunday's two *Land* elections gave the Republicans only 1.5 and 1.8 per cent. Is this because the issue which is currently dominating the agenda of *all* the respectable political parties, is precisely that of national identity, the future shape of Germany?

For every complex question there is an answer which is simple, elegant and wrong, and this may be one of them. Nevertheless, the French political establishment needs to find some way of addressing the national pre-occupations of the French. It cannot be done satisfactorily by flirting with Mr Le Pen's anti-immigrant discourse; and it cannot be done more than once by marching from la Republique to la Bastille.

Smaller EC states block Euro bank

By David Buchan

SEVEN smaller EC states have taken out their frustration at alleged Anglo-French rigging of the new bank for eastern Europe by, temporarily at least, blocking Community participation in the institution.

The seven protesters, led by the Netherlands, have nothing against the EC itself taking 3 per cent in the proposed European Bank for Reconstruction and Development.

However, in EC Council discussions yesterday they refused to approve Community participation in advance of next week's supposedly decisive Paris meeting on the bank's statutes of the 42 shareholder countries.

The Dutch former finance minister, Mr Onno Ruding, is rumoured to have been passed over for the bank presidency by the Group of Seven industrialised countries. Larger shareholders have apparently decided to back Mr Jacques Attali, an adivser to Mr François Mitterrand.

While the Netherlands is annoyed at the bid to ignore its candidate in favour of yet another Frenchman heading an international institution, the other smaller countries are generally piqued at larger EC states trying to take decisions over their heads.

Romania's long wait for free vote is over

By Judy Dempsey

Romania

ROMANIANS go the polls next Sunday to elect their first free parliament five months after the overthrow and execution of Nicolae Ceausescu.

More than 16m of the 23m population will elect an Assembly of Deputies (parliament), a Senate and the President. The parliament will have 387 seats and, in addition, the 16 ethnic minorities will each receive one seat even if their candidates receive no votes. The Senate has 190 seats. Together, both houses form the Constituent Assembly which will draw up a new constitution.

The elections will be by proportional representation. A second round will take place in constituencies where fewer than 51 per cent vote.

The Assembly has 18 months to draw up and adopt a new constitution. Elections will be held within one year of the adoption.

The President will hold office for 30 months, the lifetime of the Constituent Assembly. His powers allow him (the are all male) to:

- appoint the Prime Minister of the largest party
- call an extraordinary session of Parliament
- dissolve the Constituent Assembly with the consent of the Prime Minister and presidents of the Chamber of Deputies and Senate if the constitution has not been adopted within nine months and if the Constituent Assembly fails to pass it within 18 months
- declare mobilisation with the approval of parliament
- declare a state of emergency with parliamentary consent
- issue decrees which must be signed also by the Premier.

Green issues provide a sting in the tail

Judy Dempsey in Bucharest hears some bee-keepers' views on voting

THE Popescus' temporary home is tucked away in a small enclave in a forest north-west of Bucharest.

During the summer months, 70-year-old Gheorghe, his two sons, and a friend come here to set up camp miles away from their home in the hilly region of Tirguviste which is south of Transylvania.

They do not belong to the gypsy community. They are in fact are one of the thousands of peasant bee-keepers who continually search for green and fragrant homes for their bees. But unlike many of the peasants who say they will vote for the ruling National Salvation Front, the Popescu family will vote for the Ecology party.

"They are the ones who care about the environment. Under the dictatorship, the pollution destroyed the pollen content of the flowers which affected the quality of our honey," says Mr Popescu, a small, slim man, permanently bronzed by the outdoor life.

Even despite recent decisions by the Front to allow peasants to own (but not sell) up to 5,000 square metres of land, a large amount compared to the miserable 200 square metres permitted under the old regime, Mr Popsecu has little sympathy for the Front.

"The Front and Iliescu (the interim President) are just like the old communists. Its like swapping an East German Trabant [the notorious two-stroke engine car] with a Mercedes, but keeping the same driver."

Under the Ceausescu regime, Mr Popescu had to obtain a licence from the state before he could set up his own bee-hives, otherwise he could not have received sugar and other materials required for cultivating honey. In addition, he was obliged by law to sell honey directly to the state.

"Since 1962, when I first started my bee-hives, each year I had to sell 10 kilograms per hive to them. The prices were very low. First, we received 14 lei ($0.68) a kilo, then gradually it was increased to 20 lei. The state exported the honey or else sold it in the shops for 100 lei a kilo. It was not easy to make a living."

Last January, the Front abolished compulsory deliveries to the state and freed agricultural prices.

In a good year, each bee-hive produced between 25 and 30 kilos. "But such years were rare because of the pollution," says Mr Popsecu.

The family supplemented their income by farming in the low-lands around Tirguviste. Sometimes they managed to earn 4,000 lei a month, a quarter above the individual monthly average salary, but with this single income, it was not enough to sustain the five-member Popescu household.

Today, as a pensioner, Mr Popsecu receives a miserable monthly pension of 180 Lei, (the national average monthly is 2,024 lei) a sum which confirms Ceausescu's neglect of agriculture as well as his disdain for the owners of small plots of land.

> "The Front and Iliescu (the interim President) are just like the old communists. It's like swapping an East German Trabant (the notorious two-stroke engine car) with a Mercedes but keeping the same driver."

But Mr Popsecu and his friend, Mr Ion Butoi, who both belong to the Adventist community, recognised that the Ecology Party will not be strong enough to represent their interests in the new Parliament. "For President, we'll vote for Ion Ratiu," the National Peasants Party's candidate, said Mr Butoi.

As we savoured some of the raw honey, Mr Popescu picked a bee off my head. "Hmmm," he said, adding with a mischievous glint in his eye, "that's one of the bees from the old dictatorship."

Difficult election choices for the ethnic minorities

By Judy Dempsey

IF WERNER HORST is lucky, he will not be voting on Sunday. By then, he and scores of ethnic Germans camped outside Bucharest's West German embassy hope to have their visas and be Munich-bound.

Romania's 180,000 ethnic Germans are divided between those who stay and those who emigrate. Many of those remaining say they will vote for the National Liberal Party.

As the election nears, the country's 16 ethnic minorities, ranging from the Ruthenes who number just 900, to the 2m ethnic Hungarians, are in a quandary. Under Ceausescu, they were discouraged from educating their children in their mother tongues. But, even since the Revolution, some minorities fear latent nationalism among sections of society is resurfacing.

This, at least is the fear of the ethnic Hungarians who live in the northern region of Transylvania. Early in the Revolution they supported the National Salvation Front which promised to restore their cultural and ethnic rights. But the euphoria soon gave way to suspicion and disappointment after bloody clashes between ethnic Hungarians and Romanians in the Transylvanian town of Tirgu Mures last March. Several were killed and scores injured.

The Front condemned the violence, but only after a delay. Meanwhile, the Vatra Romaneasca, a nationalist right-wing organisation, began what amounted to a hate-campaign against the ethnic Hungarians and the Jewish community.

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E Europe faces 'daunting' problems

By Peter Riddell in Washington

THE NEW democracies of eastern Europe face "daunting" economic and political problems with a slowdown in economic growth and a sharp rise in unemployment in the immediate future, according to a Central Intelligence Agency report for the US Congress.

However, the report is optimistic about the ultimate outcome of reforms – while warning that the most formidable obstacles lie ahead.

In particular, the CIA expresses concern about the political position of the new governments which, it says, will "probably be hybrid coalitions that will take some time to get their bearings.

"As long as aggressive implementation of austerity measures coincides with prolonged decline in living standards, there will be a risk of public protest that could set back reforms and economic recovery.

"The new democratic freedoms could facilitate public willingness to sacrifice but they could also produce governments hesitant to translate economic priorities into tough reform initiatives," the report warns.

Even if governments persist with reform, overall economic growth is likely to deteriorate further in the short-term. Unemployment is likely to soar if governments pursue plans to break-up state monopolies, restructure economies away from non-competitive heavy industries, eliminate state subsidies and let the market determine winners and losers.

The CIA estimates that unemployment in Poland at the end of March – 266,000 or roughly 1.5 per cent of the workforce – could exceed 1.5m or 9 per cent by the end of the year. Similarly, potential unemployment is estimated at 15 to 20 per cent in East Germany and Yugoslavia over the next year or so, and 5 per cent or more in Bulgaria and Hungary.

The report sees some scope to assist reform from cuts in defence production and in armed forces. Last year most east European countries, with the exception of Romania, cut defence budgets by 7 to 9 per cent.

Soviet orders for military goods from eastern Europe have fallen and there may be increased emphasis on selling conventional arms to the Third World (especially in barter deals for oil with Middle Eastern countries).

"The expected dividends (from defence cutbacks) will not be large enough to solve eastern Europe's economic problems, but they will help. We believe most east European defence spending in the 1980s seldom exceeded 2 to 4 per cent of gross national product, although east European governments are themselves uncertain how to measure defence spending."

Looking to the long-term, the CIA analysts believe that, "probably irreversible progress has been made in reducing administrative controls over the economies, opening them up to competition and the workings of market forces, and encouraging individual initiative."

Ideological barriers have been partially overcome and, "most importantly, events in Poland in recent months have demonstrated at least one country's willingness to endure hardships imposed by a popularly elected government in exchange for the opportunity for a better future."

The report also notes that the struggle over privatisation is likely to be political explosive since it involves distributing the high proportion of wealth held by the state. There are fears that assets are being sold too cheaply and that former state officials are benefiting.

"Eastern Europe: Long Road Ahead to Economic Well-being," prepared by the CIA for the sub-committee on technology and national security of the Joint Economic Committee of Congress.

Protests and strike reported in Albania

By Laura Silber in Tirana

ALBANIA HAS seen a strike and demonstrations this year for the first time in the history of Europe's most orthodox Communist state, according to eyewitnesses.

About 2,000 workers went on strike last month at one of the biggest textile factories in the central town of Berat in protest against low wages. A worker said the night shift stopped work for eight hours and scrawled slogans criticising the former leader, Enver Hoxha, on the factory walls. Wages at the factory are about 400 leks ($67) a month, or just over half the national average.

The witness said that as far as he knew the authorities did not carry out reprisals but that people were frightened.

Another eyewitness said about 500 football fans took part in a political demonstration on March 25 in Kavaje, 30 miles south of Tirana. Fans from the local and visiting teams shouted "Down with the Hoxha dynasty", but expressed their support for President Ramiz Alia. The witness said riot police dispersed the crowd with batons and rubber bullets and reported casualties, but this could not be verified.

Unconfirmed reports about the unrest circulated earlier this year in Yugoslavia and Greece, but Albanian officials dismissed these as "extreme Greek and Yugoslav plots". There is no organised opposition in Albania, chiefly thanks to the secret police, the Sigurimi. An engineer suggested there was a power struggle between the reform-minded Mr Alia and conservatives led by Hoxha's widow.

A silent protest took place in January on Skanderbeg Square, in the centre of Tirana, with young people gathering around a statue of Mr Hoxha and raising their hands in a victory sign.

Brussels struggles to balance power at top of planned Eurofed

By David Buchan in Strasbourg

THE European Commission was locked in argument last night over how to balance the powers of political appointees and national bank governors on the board of the Eurofed, Europe's proposed central bank.

According to a confidential paper under discussion in the Commission, the Eurofed would be run by a 16-person board. Twelve would be the governors of the national banks, while a four-member "directorate" would be chosen by the European Council (the collective body of EC leaders).

The Eurofed president would be chosen, after consultation with the European Parliament, from among these four, all of whom would be appointed for five-year terms, renewable once.

Some people in the Commission were last night objecting that the proposed weighted voting gave too much power to the "directorate", which would have 30 votes collectively out of a total of 106.

Under a system akin to that used in the Council of Ministers, a qualified majority of 74 votes would be needed. Thus, 11 of the 12 national bank governors would have to vote together to overrule the "directorate".

The question of the insulation of the Eurofed from political influence will play a crucial part in the forthcoming negotiations over monetary union next year..

The paper, which the Commission hopes to agree in time for discussion at a meeting on Saturday of European Community foreign ministers, says the Eurofed would "formulate and implement monetary policy and issuance of the Ecu", as strongly insisted here this week by Mr Karl Otto Pöhl, the West German Bundesbank president.

Mr Pöhl said that the "litmus test" for governments was whether they were willing to surrender the right to print money. He absolutely opposed any "wishy-washy" arrangement with a Eurofed issuing Ecus, and national banks still issuing national currencies, in parallel.

The European Parliament yesterday overwhelmingly approved, by 226 votes in favour, 35 against and 25 abstentions, a report endorsing economic and monetary union.

A PLAN to replace the current European currencies with a new Ecu by 1997 will be handed to Mr Jacques Delors, European Commission President, tonight by Mr Valery Giscard d'Estaing, the ex-President of France, writes John Authers.

The report has been compiled by Ernst and Young, the UK management consultants, and the National Institute for Economic and Social Research, for the Association for the Monetary Union of Europe, a pressure group formed by Mr Giscard d'Estaing and former Chancellor Helmut Schmidt.

It argues that monetary union cannot realise its full potential if multiple currencies remain. A single currency, replacing all others, would be better than a common currency, similar to the current Ecu, which is worked out as a basket of European currencies, the report's writers say.

Greece to ask EC for emergency loan

By Robert Mauthner, *Diplomatic Correspondent*, in London

GREECE is to apply to the European Community for a special loan to help it overcome serious economic difficulties, Mr Constantine Mitsotakis, the Greek Prime Minister, said in London yesterday.

It was the first time the Greek Government has openly acknowledged that it was seeking further Community help, after the Ecu1.75bn ($2.17bn) emergency loan granted in 1985, which has not been repaid.

The Greek Prime Minister, in an interview with the Financial Times, said Greece's economic problems should be solved "in the framework of the European family."

Mr Mitsotakis, whose conservative New Democracy Party won a narrow victory in last month's general election, was paying his first visit to London. He had talks over lunch with Mrs Margaret Thatcher, Britain's Prime Minister.

Although Mr Mitsotakis declined to disclose the size of what he described as a "supplementary loan," he indicated that Greece was not looking for a loan as big as the first. The details were being discussed by Greek officials and the EC Commission, which is soon to report on Greece's needs to the Council of Ministers.

The Greek Prime Minister's disclosure comes as a surprise, since Mr Efthymios Christodoulou, Deputy Foreign Minister in charge of EC affairs, only a few days ago ruled out the possibility that Greece would seek another loan.

Greece's economic situation has gone from bad to worse since the election of June last year, which saw the defeat of the Mr Andreas Papandreou's Socialist Government, but resulted in a succession of weak coalition governments unable to take the drastic economic measures required.

In the first quarter of this year, inflation reached 17 per cent, the current account deficit rose to nearly $2bn and the public sector borrowing requirement (PSBR) totalled nearly 20 per cent of GNP.

Greece was sharply criticised in March by Mr Jacques Delors, the Commission president, for failing to respect the performance targets set as part of the 1985 EC loan terms. The International Monetary Fund (IMF), too, called on Greece in its latest annual report to adopt a package of austerity measures.

No decisions have yet been taken on broadening the tax base and reforming the state pension system, both areas requiring urgent action, according to international economic organisations.

Yugoslavian presidency warns against separatists

YUGOSLAVIA'S collective presidency, in a thinly-veiled warning to the separatist republics of Croatia and Slovenia, said yesterday it would take urgent steps to hold the deeply divided country together, agencies report from Belgrade.

The eight-man presidency gave no details, but said the measures to be announced to parliament later this month were necessary to protect the "territorial and political integrity of the country."

Croatia and Slovenia, which recently voted communists out of power in free parliamentary elections, want more independence from the federal communist authorities.

They are opposed by Serbia, the biggest republic, which took over leadership of the state presidency on Tuesday. Its representative indirectly accused the two republics of pushing Yugoslavia closer to civil war and disintegration.

Slovenia yesterday formed the first non-Communist government in any Yugoslav republic in nearly 50 years.

Its new premier, Mr Lojze Peterle, said that Slovenia would strive to abolish its secret police and start negotiations with other republics on the structure of Yugoslavia.

Hungary currency timetable set

By Nicholas Denton in Budapest

HUNGARY'S prospective Finance Minister yesterday set an ambitious two-year timetable for convertibility of the forint.

Speaking as the new Hungarian coalition Government was announced, Mr Ferenc Rabar said the target should be "some time between the end of next year and the middle of 1992".

In contrast to previous statements by the conservative parties making up the new Government, which have envisaged a time-scale of well over three years, Mr Rabar said: "If it is not feasible within three years, then it will not be feasible, and we will have failed".

Mr Rabar's immediate task as Finance Minister will be to tackle a budget deficit which is likely to surge beyond the target set by the International Monetary Fund.

Revenues are lower than expected, expenditure higher, and the outgoing Government is thought to have improved last year's balance at the expense of this year's by creative accounting.

Taken together, these factors imply an addition of over 30bn forints ($469m) to the deficit, making the Monetary Fund's 1990 target of 10bn forints difficult to meet.

Several medium-term credits, critical to the maintenance of Hungary's sovereignty, are contingent on the country abiding by the agreement it signed with the IMF earlier this year.

In March and April, the Hungarian national bank suffered withdrawals of credit lines by foreign banks amounting to over $200m and was forced to turn to the banks for international settlement for a bridging loan of $300m.

Mr Rabar was among 16 ministers announced yesterday by Mr Jozsef Antall, leader of the Hungarian Democratic Forum, the largest party in the new parliament, and the incoming Prime Minister.

The appointments represent a significant and unexpected concession to the Forum's main and troublesome coalition partner, the Smallholders Party.

One quarter of the new ministers are from the Smallholders Party – out of proportion to the party's strength in parliament.

Nevertheless, the key ministries will be in the hands of the Forum.

The new Foreign Minister is Mr Geza Jeszenszky, head of the Forum's foreign affairs committee. Mr Jeszenszky is cautious on the central question of Hungarian foreign policy: withdrawal from the Warsaw Pact.

The other significant appointment is of Mr Peter Bod, architect of the Forum's economic policy, who takes the Ministry of Industry and Trade.

Britain to set control target for carbon dioxide emissions

By David Thomas in Bergen

THE BRITISH Government is to commit itself to a target for controlling UK emissions of the main gas responsible for the greenhouse effect.

The UK Environment Minister, Mr David Trippier, revealed the Government's plans for controlling carbon dioxide emissions at the end of an international environment conference attended by 34 western countries in Bergen, Norway.

It will also publish a strategy to achieve this target, which is almost certain to have considerable cost implications for a wide sweep of British industry, particularly in the energy and transport sectors.

"Britain will have a target for either the stabilisation or the stabilisation followed by the reduction of carbon dioxide emission," Mr Trippier said.

The British Government is planning to reveal targets at the latest by the time of a United Nations-sponsored conference on global warning scheduled for November in Geneva. The minimum target which has been adopted by most European countries is to stabilise carbon dioxide emissions at present levels by the year 2000.

While total carbon dioxide emissions have changed little in Britain during the 1980s, there have been some significant changes in industrial sectors. In particular, the decline in carbon dioxide emissions from power stations has been offset by growing emissions from road transport.

The Government may be assuming that emissions from power stations will continue to decline because nearly all the new stations planned for the 1990s will use clean gas firing technology. However, it is unlikely that Britain could meet carbon dioxide targets that were credible internationally without tackling emissions from cars, particularly forecasts of spiralling car numbers.

The British Government's plans will almost be reflected in prospectuses for the privatisation of the electricity industry.

EUROPEAN NEWS

Nationalism a new campaign issue

Personalities rather than policies will determine the leaders in Czechoslovakia's first free elections in 44 years reports Leslie Colitt

AN emotionally-charged demonstration against the Czechoslovak Communist Party last weekend in Prague broke into an otherwise remarkably uneventful election campaign in the run-up to the first free elections in 44 years.

Nearly 100,000 citizens cheered speakers who demanded the sentencing of former Communist officials for their crimes and the expropriation of party property.

"Punish them, punish them," the crowd chanted in approval as Mr John Bok, a candidate for the Radical Party in the June 8 and 9 elections, described the Communists as the "world's biggest and best organised Mafia."

The demonstration was called in support of anti-Communist hunger strikers and a petition which urged the banning of the Party before the elections. However, President Vaclav Havel, who visited the hunger strikers on Wenceslas Square, wisely decided that a ban would be undemocratic.

The latest opinion polls showed that the reformed and depleted Communist Party could not expect to gain more than 12 per cent of the vote. This would still make it the third strongest political group. But the Communists have little hope of joining a democratic coalition and are resigned to becoming the main opposition party.

Bemused citizens of the Czech lands – Bohemia and Moravia – and Slovakia are finding it difficult to distinguish between the new parties and politicians vying for their votes. Political life is still largely synonymous with Mr Havel and his Obcanske (Civic) Forum (OF) which overthrew the Communist rule last November.

One of the few colourful personalities to emerge in the election campaign is Dr Jiri Horak, the leader of the resurrected Social Democratic Party (SDP). His visiting cards still identify him as Professor of Government at Manhattan College in Riverdale, New York, where he taught until his return to Prague late last year. After regaining Czechoslovak citizenship he was elected the leader of the newly-founded Czechoslovak Social Democratic Party (SDP) over his sole rival, the long-time dissident Mr Rudolf Battek.

The SDP again occupies a magnificent baroque building in Prague which served as its headquarters until the Communist takeover in 1948. Soon afterwards the SDP was forcibly merged with the Communists and its domicile in Hybernska Street turned into the Lenin Museum. In 1947, at the age of 23, Dr Horak was press secretary to Mr Bohumil Lausmann, the last democratically-elected SDP leader.

He fled Czechoslovakia with his father, a regional party official, when the Communists came to power in February 1948 and went to the US.

The most reliable opinion survey gives the SDP some five per cent support among prospective voters, the minimum which will be necessary to gain a parliamentary seat. Remarkably, its chief rival, the Socialist Party (SP), also scored five per cent, despite its long-time coalition with the Communist Party.

The SP managed to improve its sullied reputation by becoming one of the first allied parties to break ranks with the Communists last November. Both socialist parties are appealing to the traditionally strong socialist vote in pre-communist Czechoslovakia where the old National Socialist Party was closely aligned with the policies of President Masaryk and his successor, Eduard Benes.

The OF gained 22 per cent in the opinion poll, a fall from its previous peak, while Public Against Violence (VPN), its counterpart in conservative Slovakia, which has one-third of Czechoslovakia's 15m population, scored only 13.5 per cent. VPN has suffered in the upsurge of nationalism in Slovakia which is likely to benefit the right-wing. Its main rival, the Christian Democrats (CD), who are strongest in Slovakia, polled 15 per cent countrywide.

CD in the Czech lands, however, could suffer from the scandal surrounding Mr Richard Wagner, the CD Interior Minister appointed last winter, who was accused of harbouring senior officials of the former security police.

All candidates for office are being screened for possible connections with the security police to avoid possible police files on them from being used in the election campaign.

Demonstrators march in support of anti-Communist hunger strikers in Prague

THE OF and VPN will take part in the elections as political movements – and not parties – giving moral authority to a number of smaller political groups under their umbrella. However, despite the reputation enjoyed by Mr Havel, the population has grown more critical of OF. "I am worried about the changecoats in Civic Forum," a Prague office worker said referring to rumours that OF was infiltrated with former Communists.

Charges that former Communists had been promoted to leading positions under the aegis of OF served to dent its reputation, especially in rural areas. Mr Jan Urban, OF's top official, admitted that in some cases it had been infiltrated by former Communist officials but said rumours that OF was undermined by the Communists were based on "lies."

The resurgence of Slovak nationalism is a feature of recent months. An excruciating parliamentary debate over whether Czechoslovakia was to be written with a hyphen "Cesko-slovensko" had its roots in the long-simmering Slovak resentment against political domination by the more populous and prosperous Czechs.

Mr Slavomir Stracar, the Minister of Metallurgy who is a Slovak, said the compromise official name for Czechoslovakia, chosen late last month, of "Czech and Slovak Federated Republics" reflected the goal of equality between the two nations and republics. "Slovaks hope that by changing the name of the country, people elsewhere will realise we are here."

Nationalism has become the easiest way for the new Slovak parties to gain popularity, and VPN and other democratic forces in Slovakia find themselves under growing pressure to behave more nationalistically.

Personalities are likely to play a decisive role in the hitherto lackadaisical election campaign as the programmes of the 23 parties and movements contesting the election are remarkably similar.

All of them are emphasising political and economic democracy linked with social justice.

As in East Germany, the most likely outcome of the Czechoslovak elections is expected to be a "Grand Coalition" in which virtually all the parties will endorse Mr Havel, who has in fact agreed to serve as president for a two-year term.

Political mould broken in Lombardy

By Haig Simonian in Milan

POLITICAL moulds have been broken in strange places, but few are stranger than the seedy flat near Milan's grandiose main railway station which is the headquarters for the Lega Lombarda (Lombard League).

And few people seem less destined to be mould-breakers than Mr Umberto Bossi, who has led his north Italian federalist grouping to a string of electoral successes which now threaten to challenge the established pattern of not just local, but national, politics. In last week's local elections, the party romped home with around 19 per cent of the regional vote.

Tall and tousle-haired, Mr Bossi, who was elected to the senate in 1987, looks more like a rebellious undergraduate than the standard-bearer of the Lombard League and the smaller sister parties it has spawned in other northern regions like Piedmont, Veneto or Liguria.

With posters showing a fat north Italian hen laying golden eggs straight into the basket of grasping southern politicians in Rome, the party's message is hard to miss.

Similar clarity is not always a trait of Mr Bossi himself, as he sets out in a mixture of dialect, jargon and vague philosophical points the concept of democracy-stifling centralism which has beset Italian politics since the Second World War.

Umberto Bossi: unlikely mould-breaker

Explaining the anti-central government, anti-immigrant platform which has won the League so much support is better left to Mr Francesco Enrico Speroni, one of Mr Bossi's closest allies and a member of the European Parliament since 1989.

Greater regional autonomy is the key. Italy abounds with vote-catching industrial projects in the south, financed largely by northern taxes, he argues. Such schemes often have little economic merit and can turn into little more than indirect subsidies for organised crime through such things as bogus building contracts.

Giving regions greater independence, particularly in financial affairs, is the only way to establish a fairer distribution and avoid the danger of a drift to authoritarianism, claims Mr Bossi. Likewise, he suggests that the immigration policies, both towards the outside world and from south to north within Italy itself, are tools of the established parties to remain in power.

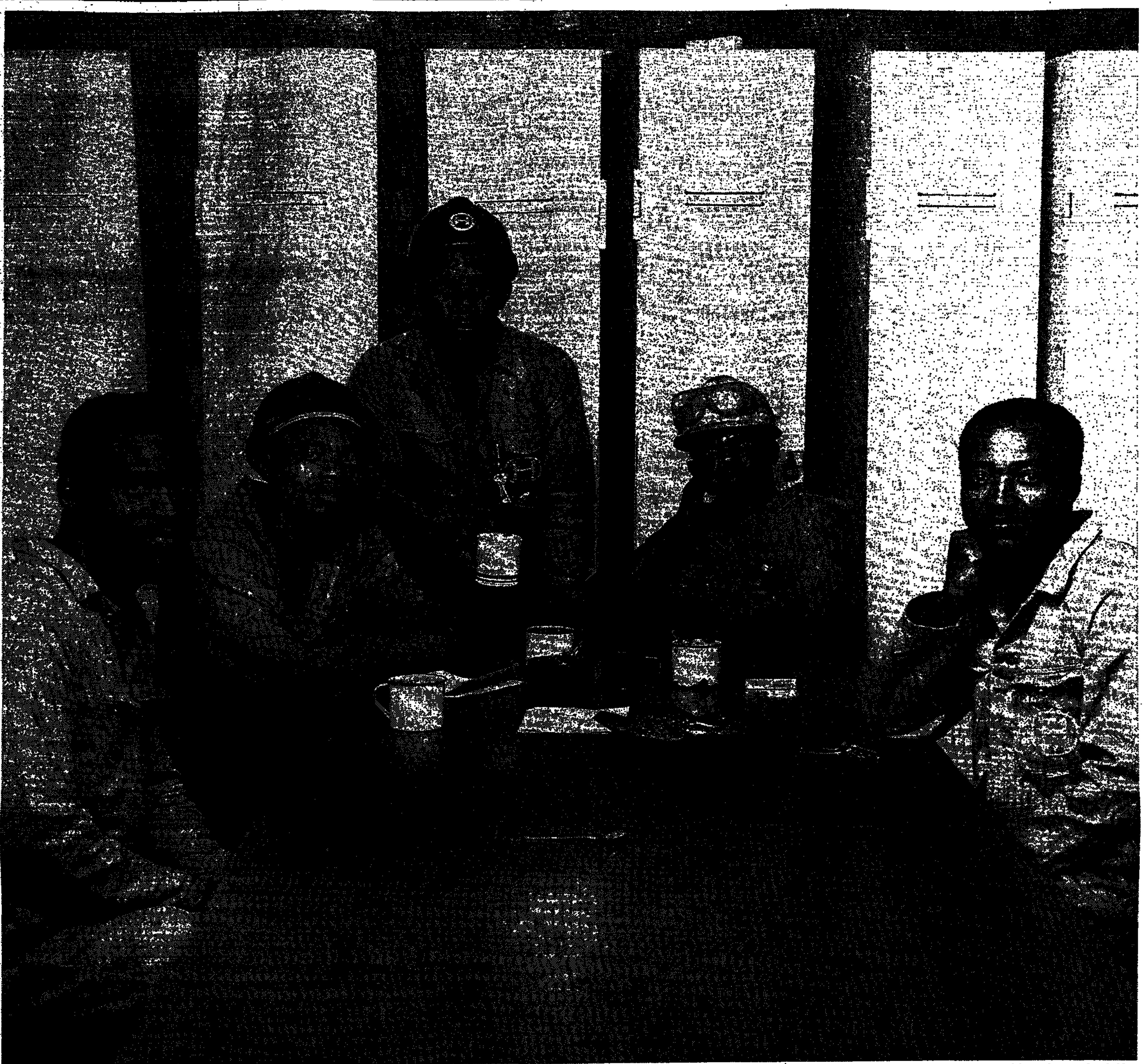
Founded in the early 1980s in the town of Varese, not far from Milan, the Lombard League has gone from strength to strength since it first contested local elections in Lombardy in 1985. Building on a string of local electoral gains, it won 2.8 per cent of the Lombardy vote in the 1987 general election, climbing to 8.1 per cent in the region at last year's European elections.

On last week's local election showing, the Lombard League would gain 20 deputies in the lower house of parliament and 10 seats in the senate if its regional vote were repeated at a general election. This would make it Italy's fourth biggest political party.

The threat to the political establishment is even greater if the League manages to turn the Lega Nord – the newly-formed confederation with Leagues in neighbouring regions – nto a coherent movement spanning northern Italy. The League's rise has come hand in hand with the decline of the Communist bogey used for decades as a potent vote-catcher by the Christian Democrats. Mr Bossi insists its support cuts right across the spectrum.

But the League has yet to prove that its policies go any further than bashing easy targets like Rome, the country's often appalling public services and immigrants.

With mainstream politicians already slinging generous quantities of mud at its alleged racist tendencies, the League faces an uphill task. But the most telling test will be whether the 15 seats it now has in the 80-seat Lombard regional assembly can be used to show it is more than just a powerful voice of north Italian opposition.



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Saudi purchase of supercomputer angers Israel

By Hugh Carnegy in Jerusalem

ISRAELI officials and scientists are angry that a restricted US supercomputer so far denied to Israel has been installed in Saudi Arabia.

The sale of a Cray 2 to Aramco, the oil company, in Dhahran, completed in late January, was made public in Israel after it was discovered by a scientist from the Technion University in Haifa when trawling through a publicly-accessible database.

"This astonished us as we at the Technion couldn't get permission from the US to buy a Cray," said the scientist, who preferred not to be named.

The US has so far held back licences for Israel because of concerns about military use. Extremely powerful computers such as the Cray 2 facilitate the huge computations involved in nuclear weapons and missile development.

Aramco acquired the Cray 2 for oil research. But Israeli indignation has been heightened by the fear that Iraq could gain access to it for development of its nuclear and missile programmes which Israel regards as a serious threat to its security.

Israeli officials said Iraq possesses computer networks capable of accessing the Saudi Cray 2 and performing weapons development tasks.

A US official acquainted with the Aramco licence said it needed the Cray 2 for such tasks as reservoir modelling and seismic work. He said the US was satisfied licence conditions were being observed.

Several Israeli institutions have tried to buy US supercomputers. Israeli Military Industries, a weapons manufacturer run by the Defence Ministry, was reported last year to have applied to buy an IBM 3090 equipped to specifications requiring a US Government licence. The Technion and other academic establishments say they need supercomputers for academic research.

The individual Israeli establishments are now lobbying the US Government, with Israeli Government backing, to win supercomputer licences.

US officials say the issue is still under consideration.

Their reticence over licences for Israel apparently revolve around its refusal to sign the nuclear non-proliferation treaty, the close relationships between Israeli military and research bodies and concern about the transfer of technology from Israel to South Africa.

Troops mutiny over pay in Ivory Coast

By Mark Huband in Abidjan

TROOPS in the Ivory Coast shut Abidjan airport yesterday morning in protest at low pay and poor working conditions.

In the second day of protest by soldiers, up to 1,000 low ranking troops occupied the airport at Port-Bouet, five miles from the city. Others commandeered taxis and put up roadblocks in the centre of Abidjan.

Convoys of troops drove around the city throughout the morning demanding an increase in pay and accusing army chiefs of staff of failing to provide adequate leadership. Abidjan's radio station was also taken over during the rebellion, though the troops left it during the afternoon.

Fear that cocoa exports could be disrupted led to broad buying on both the London and New York futures markets. July cocoa in London reached £977 a tonne early in the day, but prices eased during the afternoon to close at £944 a tonne, a rise of £41.

At 5pm Gendarmes arrived at the airport and persuaded the troops to return to barracks. They are currently being housed in the air force barracks at Port-Bouet. No arrests were made.

The army protest began on Monday when 200 troops took to the streets of Abidjan. On Monday evening they met President Felix Houphouet-Boigny. During the meeting the troops complained about army pay and the system of rehiring soldiers at the end of their national service, when rising unemployment means it is difficult to find work increasing pressure from young people looking for careers in the army.

However, low pay is the big issue as troops earn around $16 per month. The average wage in Ivory Coast stands at around $100 per month.

No senior officers are believed to have been involved in the protest, and the President was believed to have been advised by officers not to give in to the rebel soldiers' demands.

An appeal for the troops to return to barracks was made yesterday morning, but was ignored by the soldiers until the evening when they finally agreed to leave the airport. Flights are expected to be resumed today.

The protest comes three months after riots broke out on the streets of the city.In February large numbers of Ivory Coast's 20,000 students launched mass protests over living conditions and the availability and size of student grants, many of which had not been paid for up to six months. Civil servants joined the protests in March when the Government announced public sector pay cuts of up to 40 per cent aimed at filling a $390m financing gap in the 1990 budget.

The Government gave in to the students' demands and promised to pay grants. But pressure for political change mounted. Protests continued and all schools and Abidjan University were closed permanently on March 31.

India to sell or lease all Airbus A-320s after crash

By David Housego in New Delhi

INDIAN Airlines is to lease or sell all its Airbus A-320s. It has 14 which have been grounded since February 18, four days after a crash near Bangalore which killed 91 people.

Another four have been purchased but have not been delivered from Airbus Industrie headquarters in Toulouse. They will be now be delivered and resold at a premium.

The move is necessary to try to recoup some of the substantial losses suffered by the state-owned airline because of the grounding. Earlier this month Mr V.P. Singh, the Indian Prime Minister, delivered a blow to both Indian Airlines and Airbus by unexpectedly extending the grounding, probably for several more months, just as they were hoping to get the aircraft back in the air. He said the jets would not be allowed to fly again until the cause of February's crash had been established by a judicial inquiry.

Indian Airlines was told yesterday that the Government had decided the 14 aircraft already delivered must be leased for a minimum of six months or be sold. The other four must be sold "at a premium".

Mr P.C. Sen, the acting managing director of Indian Airlines, said yesterday that the sale and lease offer would be given the widest publicity abroad and that Indian Airlines would contact other operators directly.

At the same time the government has given the domestic carrier permission to lease in up to 10 aircraft to make good its shortage of capacity.

The airline would prefer Boeings but will also be looking at Soviet aircraft and the ATR turbo prop regional aircraft manufactured by Aérospatiale of France and Aeritalia. It recognises, however, that the market is tight.

Though the government has specified a minimum of a six months lease for the A-320, Mr Sen said that leases of one or two years seem more probable. The airline also expects to sell at least some of the 14 now in India. The 15th was lost in the Bangalore crash.

In the wake of what has become an acrimonious exchange with Airbus Industrie, the Indian carrier is keen to make clear that the decision to sell or lease does not reflect loss of confidence in the aircraft by the airline.

The airline sees the decision as being dictated by the need to minimise losses at a time when the grounding of the A-320s is costing it Rs250m (£8.3m) a week.

Without the Airbus the airline has been operating 20 per cent below capacity with about 100 flights a week rather than 140 in January.

Leasing some extra aircraft will help make up the shortfall, part of which is also being made up through increased efficiency and a reduction in delays of scheduled flights.

Peking may win trade help from US

By Peter Riddell, US Editor, in Washington

THE US looks increasingly likely to extend China's Most Favoured Nation trade status, permitting preferential access for its products into US markets. But any extension may be conditional and renewable annually.

US companies doing business with China, and the British government on behalf of Hong Kong, have been lobbying vigorously for renewal.

President George Bush yesterday strongly hinted that he would support extension. He noted "significant editorial comment" favouring renewal, including from people previously critical of him, as well as from Hong Kong which is "important in terms of trade."

Stressing that no decision had been made, he said, "it isn't an easy call because I don't want to send a signal that we are happy with the human rights record." He still thought that "having contact and working in an area where there has been progress on the economic side with China is important." He specifically denied a suggestion that he planned not to grant renewal.

A decision has to be taken by June 3, the eve of the anniversary of last year's Tiananmen Square massacre.

When he imposed limited sanctions on China after the massacre, Mr Bush did not suspend Most Favoured Nation status, arguing that he did not want to hurt the Chinese people. Similarly, he is now concerned with the impact on internal reformers and those wanting to keep open international contacts, such as foreign traders.

Mr Bush has faced strong criticism for keeping open high-level contacts with the Chinese authorities and he has recently admitted disappointment with the lack of progress in easing restrictions.

While renewal of Most Favoured Nation status would face Congressional opposition, it is significant that Senator Robert Dole, the Republican minority leader, has argued for a one year extension, "to keep them on a short leash." He has said that, while China has made some progress in human rights reforms, it has been too slight to warrant long-term preferential trade status.

Sir David Wilson, governor of Hong Kong, is visiting Washington to argue that revocation of Most Favoured Nation status would have a very serious effect on Hong Kong because of its close links to southern China.

Exiled Chinese dissident Yan Jiaqi (centre) in Taiwan yesterday after a visit to the radio ship Goddess of Democracy

Amnesty plans China democracy drive

By Colina MacDougall

AMNESTY International yesterday launched a campaign to mark the first anniversary of pro-democracy demonstrators in China on June 4 by urging everyone to wear a white flower, the Chinese symbol of mourning, on that day.

In London a demonstration is planned outside the Chinese embassy, in which Li Lu, one of Peking's 21 "most wanted" student leaders, will lay a wreath of white flowers. In France, where the government has shown sympathy to escaped dissidents and allowed many to stay, Amnesty International's list of detainees held since the massacre will be read out in towns and villages throughout the country.

Amnesty believes that around 1,000 Chinese were killed in Peking in the army crackdown on pro-democracy demonstrators after June 3 last year.

The human rights organisation has published fresh evidence on the Peking massacre, notably the killing of students in Tiananmen Square by armoured personnel carriers. Peking has denied anyone was killed in the square.

One witness with a medical team, among the last to leave the square on June 4, saw APCs moving towards the students' tents, one of which had about seven girls inside.

"One of the APCs had come very close to the tent...I ran in front, shouting at them to stop. They told me to get out of the way. I was shouting and crying, but the APC continued to move ahead. The tent collapsed, trapping the girls inside. The APC went straight over it". The witness returned to the students' medical base on the east side of the square, where the students had brought 20-30 wounded, some shot in the back. When they evacuated the square on orders from the military, he saw soldiers, north of the Monument to the People's Heroes in mid-square, "putting people in plastic bags".

Amnesty International has detailed evidence of torture and beatings of those detained since June last year. A taxi driver arrested for driving a Taiwan journalist to a meeting with Wang Dan, the student leader, reported that he was severely beaten with rifle butts and electric batons. An intellectual, held in a detention centre in the east of Peking, saw prisoners beaten, cripplingly handcuffed or kept in tiny isolation cells for indefinite periods. Detained foreigners saw wounded Chinese prisoners being beaten and heard screams from an adjoining building.

Benelux joins missile curb accord

By Victor Mallet, Middle East Correspondent

BELGIUM, the Netherlands and Luxembourg have joined the Missile Technology Control Regime (MTCR), the agreement among industrialised nations to restrict missile proliferation in the developing world.

With the easing of tension between the superpowers, MTCR signatories have become increasingly concerned about the dangers of missile warfare in regional conflicts such as those between Iraq and Iran, and Pakistan and India.

The US and Britain are urging all western countries, starting with the remaining members of the European Community, to join the MTCR as soon as possible. They are also optimistic that the Soviet Union will take part.

The accord was signed in 1987 by the US, Japan, the UK, West Germany, France, Italy and Canada, while Spain was co-opted last year.

On Tuesday Mr Douglas Hurd, the UK Foreign Secretary, sent messages to his counterparts in the Benelux countries to welcome their adherence to the MTCR. "The proliferation of ballistic missiles is an extremely disturbing trend which in the long term would undermine much of what we have achieved in reducing international tension in the East-West context."

Belgium is a particularly important addition to the MTCR, because it has a large armaments industry heavily dependent on exports.

Fears about the proliferation of missiles centre on their ability to carry chemical or nuclear warheads into enemy territory within a matter of minutes, leaving little time for negotiation and encouraging the other side to retaliate immediately; the threat to peace has been underlined recently by the tension between India and Pakistan over Kashmir, and by the anti-Israeli rhetoric of President Saddam Hussein of Iraq.

Western countries are also co-operating on curbing exports outside the scope of the MTCR. Suspected parts for a giant Iraqi gun have been seized in Britain, Italy, West Germany, Greece, Turkey and Switzerland.

Burma eases curbs

Burma's military government has lifted martial law in 11 townships before elections on May 27, but said it may station troops at polling places because some groups plan to disrupt the voting, Reuter reports from Bangkok.

Seoul calls for peaceful march

By John Ridding in Seoul

GOVERNMENT officials and opposition parties in South Korea yesterday called for a peaceful commemoration of the Kwangju uprising in which hundreds were killed in a brutal suppression of civil unrest ten years ago.

But a national dissident alliance said that large anti-government protests would be staged in the capital and 16 other cities on Friday, the tenth anniversary of the southern city's pro-democracy uprising.

Fears of violent protests were increased by last week's large scale student demonstrations, the largest since President Roh Tae Woo took office in 1988.

But the scale of the protests has reduced markedly since then and some are optimistic that this weekend's demonstrations will pass off relatively peacefully.

Mr Kim Dae Jung, leader of the opposition Party for Peace and Democracy, which has its power base in Kwangju and the surrounding Cholla province, appealed to citizens to refrain from violence. But he also called on President Roh to apologise to the people for failing to solve the problems caused by the military suppression of the 1980 uprising.

The mayor of Kwangju, the governor of Cholla province, and other local officials also urged peace.

In a statement issued yesterday, they said "we are greatly worried that violence and disorder may be triggered by the commemorative events, thus not only destabilising our communities but also adding to the overall national difficulties."

The difficulties to which they referred include a sharp drop in support for the government and dissatisfaction with the performance of a new ruling party which was formed in January.

The Government, which is widely believed to under-estimate the scale of the suppression, says about 200 people died in ten-day protests against the emerging military rule of General Chun Doo Hwan.

Hawke tries to curtail Cabinet row

AUSTRALIAN Prime Minister Bob Hawke yesterday moved to end an embarrassing Cabinet row over economic prospects by ordering his ministers to stop criticising each other in public, Kevin Brown reports from Sydney.

The row blew up after Mr John Button, the Industry Minister and Government leader in the Senate, suggested that the Government would be unable to deliver a promised increase in living standards. Mr Paul Keating, the Treasurer, then attacked Mr Button's handling of his own portfolio.

Iran holds talks with EC officials

By Victor Mallet in London

IRAN and the European Community held their first high-level talks in more than a year yesterday in Dublin, but a planned meeting between Iranian and British officials was called off by Tehran.

Mr Hussein Moussavian, head of the Iranian Foreign Ministry's West European department, had been expected to meet Mr Jeremy Greenstock, assistant under-secretary at the Foreign Office.

"It was our understanding that the Iranians wanted a meeting, and we told them that we were willing to have a brief contact in Dublin," a Foreign Office spokesman said in London. "In the event they didn't pursue it."

Mr Moussavian did, however, meet senior foreign ministry officials from Ireland, France and Italy - the current, past and future holders of the EC's rotating presidency - at Dublin Castle.

Iran's relations with the EC in general, and Britain in particular, were soured by the late Ayatollah Khomeini's death threat last year against Mr Salman Rushdie, the British author who offended many Moslems with his book The Satanic Verses.

Iran proposed yesterday's meeting with the EC as part of President Hashemi Rafsanjani's efforts to improve the country's international image and restore its economy following the Gulf war against Iraq. The EC officials raised the issue of 15 western hostages held by pro-Iranian groups in Lebanon.

Bitter foes bank on personal ties

Iran and US seek common ground over claims, writes Laura Raun

A GOODWILL gesture demanded from the US by its bitter foe Iran in exchange for help in the release of American hostages in the Mideast could be made soon.

US and Iranian envoys are expected to meet in The Hague at the end of May and hope to make progress in settling a crucial $11bn claim by Tehran against Washington over military sales before the Shah's fall in 1979. Mr. Abraham Sofaer, legal adviser to the US State Department, and his Iranian counterpart, Mr Goudarz Eftekhar, both want to find common ground in the high-stakes dispute following a successful compromise on smaller claims.

The $11bn military sales claim is pending in the Iran-US Claims Tribunal in The Hague, which is the only public forum where Washington can make a goodwill gesture without appearing to be negotiating for the release of American hostages. Mr Sofaer and Mr Eftekhar, who are said to enjoy good personal chemistry, are trying to speed up the slow Tribunal process.

"I am more optimistic now than any time since I've been here," acknowledged Mr Ali Heyrani Noobari, who has served as Iran's agent to the Claims Tribunal for 2 1/2 years.

In Washington this week a senior State Department official said the small claims agreement "resolves a very large portion of the Claims Tribunal's workload, which hopefully will make it possible for it to turn its attention to the remainder of its cases and to finish its work much more quickly."

Under the small claims accord, which is being submitted to the Tribunal today, Iran will pay a lump sum of $105m to the US to settle about 2,800 cases of less than $250,000 each and a government loan dispute.

The Claims Tribunal was established in 1981 at the end of the 444-day hostage crisis in which 52 US Embassy staff members in Tehran were held by Iranian radicals. The Tribunal adjudicates mutual financial claims between Iran and the US arising from the Iranian Revolution and is the only official link between the former antagonists since diplomatic relations were broken in 1980.

Nestled in a wooded neighbourhood of The Hague the Tribunal is housed in a four-story red-brick mansion that is said to be one of the most secure buildings in The Netherlands. Protected by bullet-proof windows behind colourful flower boxes the Tribunal has a prayer room for the Iranians.

More than $1bn are under Tribunal auspices, scattered among several escrow accounts used to pay awards. To date US claimants have been awarded $1.8bn and Iranian claimants $600m.

Of the 3,856 cases originally filed only 298 are still pending.

Tribunal representatives from both sides have tried valiantly to distance themselves from international politics. But the legal forum itself was born of a bitter hostage crisis and Mr Hashemi Rafsanjani, the Iranian President, has repeatedly linked the Tribunal and hostages.

If the US would release the $11bn in "frozen Iranian assets" – military equipment – then Tehran would help in freeing American hostages in Lebanon, Mr Rafsanjani has suggested. As many as 16 Westerners are still believed to be held hostage in Lebanon, including seven Americans.

But these assets are largely phantom ones because much of the equipment exists only on paper. The real horse trading will be about putting values on contracts to deliver equipment.

The case involves about 3000 government-to-government contracts, divided broadly into three categories of equipment: Paid for but undelivered, repaired in the US but not returned and defective. One of the biggest of the six sub-claims involves around 300 allegedly defective Bell helicopters delivered before the Shah fell. Other sub-claims involve airplanes, submarines and parts.

Washington disputes the $11bn price tag but has made no counter-estimate.

The US admits that some of the equipment was never delivered and is still sitting in warehouses. But other equipment was never ordered as the Iranians insist, according to the US.

The Americans argue that still other hardware was shipped but the Iranians contend it was never received. Some pieces were sold elsewhere and others have simply been lost.

Both Mr Sofaer and Mr Eftekhar feel a sense of urgency.

Mr Sofaer, a widely respected lawyer, is leaving his post on June 15 and would like to depart on a note of accomplishment. Mr Eftekhar would undoubtedly be a hero if he brought home money to help rebuild Iran's battered economy, still hurting from the war with Iraq.

Fortunately, the personal chemistry between the two is said to be good. Their forthcoming talks follow a series of regular discussions since last summer and would be the first on the military sales case.

The other big category of cases is US oil company claims, totaling around $5bn, for property confiscated during the Revolution. Amoco is demanding as much as $3bn and Arco/Sun around $1.5bn. Tehran wants Washington to lift its trade embargo against Iran so it can pay any eventual awards in oil instead of cash, explains Mr Noobari. But it is the oil companies themselves, rather than the US government, which must take the initiative toward any out-of-tribunal settlement.

In January Phillips Petroleum and the National Iranian Oil Company bypassed the tribunal to agree on a $92m settlement after Iranian protests that a tribunal award of $110m was too high. Clearly the stakes are high for both sides. As one source close to the Tribunal explained: "Each owes the other one a lot. That's why neither side can walk away."

This week Rowan Atkinson won the Golden Rose of Montreux for being an obnoxious little creep.

Playing creeps is, of course, nothing new to Mr. Atkinson.

In 'Mr. Bean,' the programme that netted him the award, however, he reached new depths of sniveldom.

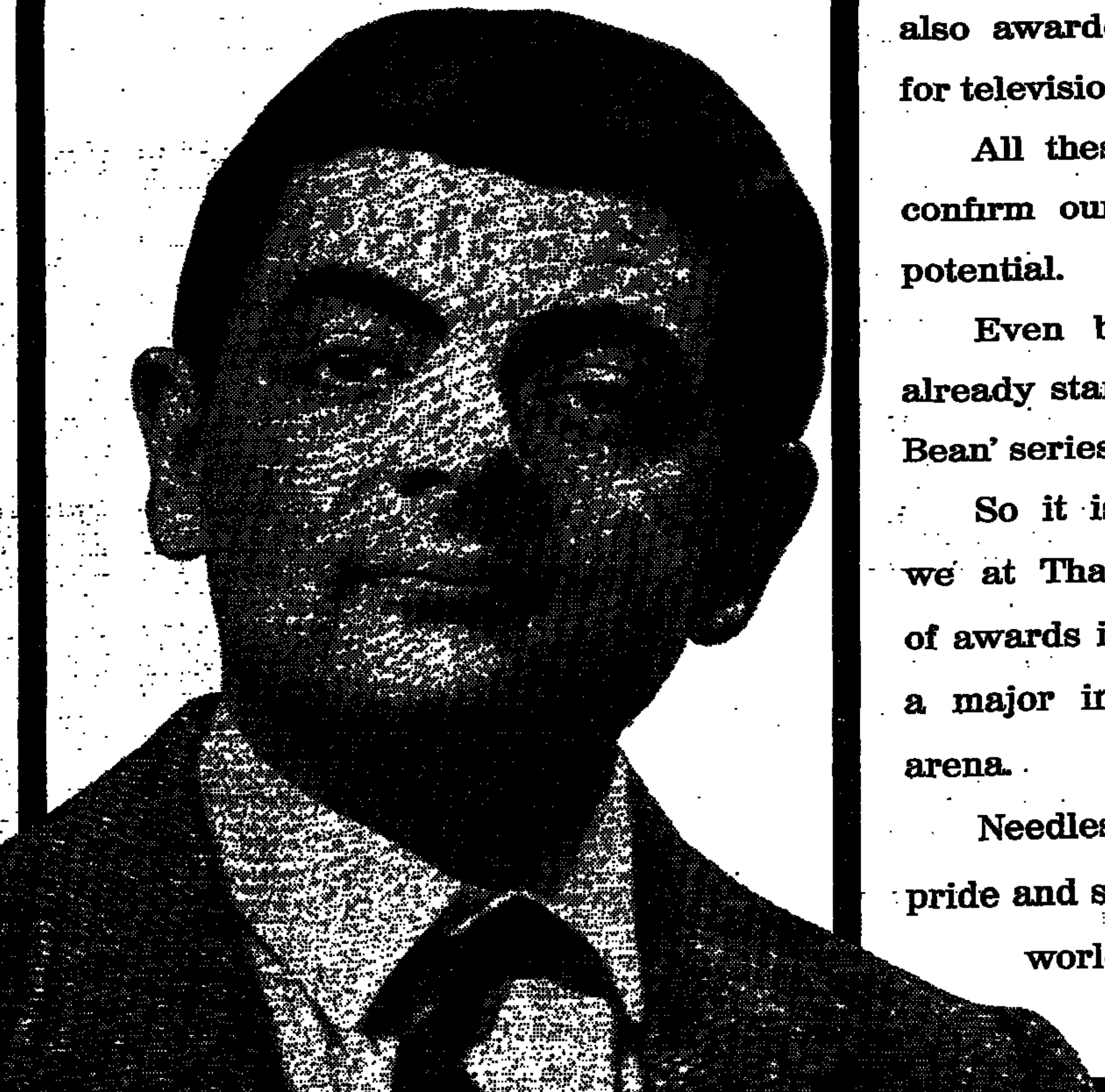
First aired last Christmas and then again last month, the half-hour show was selected by all the stations in the ITV network to represent them at this year's Montreux festival.

The Golden Rose is the most prestigious international award for comedy and light entertainment. And 'Mr. Bean' beat off entrants from all over the world to win it.

Closely based on a character and sketch from Rowan's stage-show, it was developed and adapted for television by Ben Elton and Richard Curtis of "Blackadder" fame (not to mention stage, film and cabaret fame). Together with Tiger Television, Rowan's own production company, Thames helped bring it to the screen.

Basically a silent comedy – there's sound but no dialogue – it consists of three separate segments starring Rowan himself and co-starring Richard Briers and a Reliant Robin.

In all three segments 'Mr. Bean' thoroughly demonstrates his firm grasp on such social skills as utter ineptitude and gross incompetence.



As obnoxious as he is, however, the Montreux jury were obviously very taken with him.

So much so that, in addition to the Golden Rose, he also won the City of Montreux Comedy Award. Better yet, the international press at the festival also awarded him their special prize for television achievement.

All these accolades only serve to confirm our faith in the programme's potential.

Even before Montreux, we had already started to plan a complete 'Mr. Bean' series.

So it is with great pleasure that we at Thames announce this sweep of awards in what is such a major international arena.

THAMES TELEVISION

Needless to say, it gives us great pride and satisfaction to have given the world such a total and utter nerd.

THAMES. A TALENT FOR TELEVISION.

High US mortgage rates depress new housing starts

By Anthony Harris in Washington

US HOUSING starts fell sharply for the second successive month in April, dropping 5.8 per cent to reach an eight-year low at an annual rate of 1.245m, the Commerce Department reported yesterday.

This figure is 7.2 per cent down from the figure for April 1989, before an apparent housing recovery set in in the late summer. The seasonally adjusted rate peaked again at 1.488m in February, a figure exaggerated by warm weather.

Permits for future starts, a reliable forward indicator, fell by 8.7 per cent to an annual rate of 1,125,000, exactly 17 per cent below the 1989 rate, and the lowest figure since September 1982. This suggests that the slump still has some way to go. Monthly applications for permits have now dropped 35.3 per cent since January, seasonally adjusted (a figure again exaggerated by the abnormally good weather at the start of the year).

Industry analysts place the main blame for the current depression on high mortgage rates, which rose another 31 basis points in April to reach an average of 10.56 per cent; but there is little hope of an early recovery, even if rates ease. Demand is depressed by land prices which have far outpaced incomes and by falling demographic demand, and the industry is struggling with unsold stocks equivalent to 7½ months' output.

The economic downturn in the populous North-East region, where starts fell nearly 9 per cent, is also a major factor.

The market in some other regions is also depressed by the prospect of cut-price auction sales by the Resolution Trust Corporation, the official body trying to realise the assets of bankrupt thrift institutions.

Last month's decrease followed a revised decline of 11.2 per cent in March, originally put at 9.2 per cent.

US consumer prices rose 0.2 per cent in April, down from 0.5 per cent in the previous month. This figure was a little better than the markets had expected, but produced no response in the bond markets. Inflation for the first four months stands at an annual rate of 6.8 per cent.

Argentine privatisation stuck in credibility gap

Gary Mead reports on President Menem's quest to match his words with deeds

ARGENTINA'S President Carlos Menem is fond of telling people that his country's privatisation programme "is the most ambitious ever." But this is Argentina, and so far there is a vast gulf between word and deed.

There are no ideological reasons behind the intention to sell off or lease some of Argentina's largest state-run companies. Bankruptcy is the driving force.

Official figures show a 1989 deficit of $3.867bn in the nationalised sector, a figure close to recent annual trade surpluses. And 1989 was not an exceptional year. ENTel, the telecommunications company, accounted for one-third of the total deficit, while the railways, Ferrocariles Argentinas, is losing more than $1m a day.

With external credit frozen and internal credit having evaporated, continued state subsidies on such a scale fuel hyper-inflation, as the Government prints increasingly worthless currency to cover annual fiscal deficits in the region of 8 per cent of gross domestic product.

UNBUNDLING THE STATE

Argentinian inflation reached 5.9 per cent in the first week of May and is likely to exceed 13 per cent for the month – a serious blow for President Carlos Menem who had predicted single-digit inflation, writes Gary Mead in Buenos Aires.

April's inflation was 11.4 per cent, a big drop from March's 95.5 per cent. The Government fears May will show inflation rising again, particularly since an agreement with the IMF will not be clinched before May 25.

But the pretence that all is well in companies which have been inefficiently managed and under-invested for decades expired early in 1989. Argentina has experienced two hyper-inflationary doses in the last 12 months; a third is still possible in August or September, if the Government fails to act quickly.

Hence the haste concerning Argentina's privatisation test case, ENTel. Ms Maria Julia Alsogaray, the current state manager in charge of selling off 60 per cent of ENTel, originally set a six-month deadline for its sale, but that expired in January this year. ENTel is now due to be transferred to its new owners on October 8.

Government officials believe that if the ENTel sale goes well, domestic opposition to the privatisation programme will diminish, and the confidence of foreign investors will increase. But the sale of ENTel has been rushed and politically mishandled.

Thanks to political pressure from dissidents in Mr Menem's Peronist party, substantial changes to ENTel's terms of sale were made at the last moment. That reduced the guaranteed profits to its future owners from an annual 16 per cent of $3.5bn (its estimated net asset value) to the same percentage of $1.9bn, a figure calculated on the basis of the 60 per cent to be *sold* directly, plus a portion to be floated on the Buenos Aires stock exchange.

Perhaps the most attractive feature of the ENTel sale, for government and foreign banks, is the debt-equity exchange arrangements. The retirement of a minimum of $3.5bn of Argentine debt (about 5 per cent of the total) is required in exchange for a 60 per cent stake. With Argentine debt valued at around 12 per cent of face value on international secondary markets, and little sign of the Government renewing interest payments (accumulated arrears since April 1988 now exceed $6bn), both banks and government sense the chance of unloading a troublesome debt.

The seven telecom-bank partnerships in the race, from France, the US, Italy, Spain and the UK, await the adjudication, set for June 28. For their victory the winners will be required to invest more than $4bn over 10 years.

But the rest of the privatisation programme has become bogged down in political disputes, allegations of corruption and personal frictions. Plans for leasing the most profitable railway route have been diluted to the point of non-existence. The sale of two TV channels last December was carried out in a storm of accusations of shady dealing. Plans to lease major roads in exchange for the right to levy tolls have come in for the same criticism. Privatisation of Encotel, the inefficient postal system, has been altered to an ill-defined "restructuring".

After ENTel, the airline, Aerolineas Argentinas, is undoubtably the most attractive proposition. Aerolineas was pursued for two years by Scandinavian Airline Systems (SAS). It has now dropped out, exhausted by the machinations of Argentine politicians.

Four groups are actively seeking the 85 per cent of Aerolineas on sale (out of which no more than 49 per cent can be acquired by any one foreign airline-bank partnership): the Brazilian airline Varig with Chase Manhattan; Alitalia working with Citibank; the Argentine group Cielos del Sur (which owns the private domestic airline Austral, itself privatised in 1987); and American Airlines.

The Government has put a cash price on 85 per cent of Aerolineas of $220m with debt-equity of a further $310m. The state will retain a 5 per cent stake, with 10 per cent to go to Aerolineas employees.

Previous articles in the series appeared on the foreign pages on February 28, March 6, 13, 23, 29, April 4, 11, 19 and 25, May 1 and 9

Mexican pay award may fuel inflation

By Richard Johns in Mexico City

MEXICO'S teachers have received a 15 per cent pay rise plus 9 per cent in fringe benefits in a potentially inflationary award to the 1.2m members of the National Union of Educational Workers (SNTE).

Yesterday's pay rise came on the eve of the announcement of an extension of the Pact for Economic Solidarity and Growth, concluded with business and labour leaders, beyond its present phase which is due to expire at the end of July.

The pact limits the rise in the minimum national wage to 10 per cent. But awards in key industries like motor manufacture have been more than double that.

Under strong pressure from business, a further selective liberalisation of prices is expected that can only increase pressure for higher wages. As it is, inflation in the first four months of this year was 10.8 per cent – compared with the official target of 15.7 per cent for the whole of 1990.

On the fiscal side, however, the Government had received a considerable bonus from falling interest rates and a reduced borrowing costs.

Brazil forced to withdraw tax measure after uproar

By John Barham in São Paulo

UPROAR in the business community has forced the Brazilian Government to withdraw after only one day measures which sharply raised taxes on financial transactions.

The measures, introduced on Monday were quickly recognised by government officials as flagrantly unconstitutional and withdrawn on Tuesday evening. The central bank had raised taxes without congressional approval and imposed a form of double taxation on taxpayers. They were part of a heavy crackdown on credit expansion introduced on Monday.

Mr Roberto Teixeira da Costa, a respected São Paulo businessman, said the decision "shows that the Government feels cornered and is seeking success without sparing the Constitution to attain its results. Even though it changed its mind, the measure was a turning point for a policy that depends crucially on public credibility."

A São Paulo banker said: "This Government is immature. It is burying us all under an avalanche of badly written and confusing regulations." Febraban, the bankers' association, says the Government has issued an average of eight new regulations every business day since it took office more than two months ago.

In Brasília, embarrassed government officials admitted that the tax changes were not vetted by the Justice Ministry, as had been decided after a previous fiasco, when the Government had to withdraw hastily a measure granting it illegal police powers.

Indecisive and heavy-handed government policies are worsening business uncertainty, according to observers. Mr Celso Martone, a University of São Paulo economist, said: "The Government is trying to fine tune the economy by expanding and contracting demand, creating great instability, which will force it to adopt more and more ad hoc measures."

■ Mr Eduardo Modiano, president of BNDES, Brazil's government-owned development bank, was appointed yesterday head of the federal Privatisation Commission.

He will oversee the government's ambitious privatisation programme, under which it plans to sell $18bn worth of assets during its five-year term.

Ms Zelia Cardoso de Mello, Economy Minister, has promised to begin privatising one company a month, as of July.

Guerin 'sold electronics to Pretoria'

By Our New York Staff

MR JAMES Guerin, a former deputy chairman of Ferranti International, the British defence contractor, illegally exported electronic military equipment to South Africa, US authorities alleged in a Philadelphia court yesterday.

The sales were part of $1bn of fake arms contracts Mr Guerin and others generated over a 12-year period to defraud shareholders, companies and lenders, the authorities said.

The schemes he directed grossly inflated the value of International Signal and Control, the arms company he founded in Pennsylvania in 1971. Ferranti took over ISC in 1987 in a $1.5bn share swap and Mr Guerin became deputy chairman of the UK group.

After Ferranti began to discover the schemes last autumn, it had to take a £176m after-tax write-off for the bogus contracts. The sum, equal to roughly half Ferranti's net worth, forced it to divest some of its businesses, sue Mr Guerin and its accountants for damages, seek financial help and appoint new management.

Mr Guerin and several colleagues created a maze of fake contracts with fictitious customers in Pakistan, the United Arab Emirates and South Africa, Federal prosecutors and agents from several government agencies including the Federal Bureau of Investigation, told the court in a second day of testimony.

The fake business was channeled through a number of front companies and 39 bank accounts in the US and Switzerland.

Court documents indicated that investigators had obtained the co-operation of Mr Robert Shireman, ISC's chief financial officer.

The Government is seeking to block the payment by Mr Guerin of a $2m severance pact with Mr William Clark, ISC's former general counsel. The Government alleges Mr Clark blackmailed Mr Guerin into the $2m agreement under threat of revealing ISC's fraudulent activities.

The payment was negotiated before Mr Clark left ISC sometime before Ferranti discovered the fraud. In earlier court papers, Mr Clark said the payment was to compensate him for the damage to his health and professional reputation he had suffered working for Mr Guerin.

US authorities have yet to charge Mr Guerin despite more than two years of investigations.

He is believed to be plea bargaining with prosecutors. One of his privately-held companies, Parent Industries, has already agreed to pay $4.4m and plead guilty to a federal racketeering charge.

Venezuelan TV told to halt anti-labour advertisements

By Joseph Mann in Caracas

The Government of President Carlos Andres Pérez has ordered Venezuelan television stations to halt broadcasts of advertisements critical of the country's largest labour organisation, the Venezuelan Federation of Workers (CTV).

The advertisements, paid for by Fedecamaras, Venezuela's most important association of business groups, formed part of a strident public debate over reforms of the existing labour law being discussed in Congress.

Fedecamaras and other business groups have objected to elements in the reform bill that will sharply raise labour costs, principally those relating to severance benefits, at a time of deep economic problems.

The government's action to silence the businessmen's campaign, which was also carried in the print media, was the most blatant case of press control seen since the administration took office early last year. In the past, Venezuelan trade union leaders have scorned business in the press, especially for its opposition to the reform bill.

Thus, businessmen have the impression that the Government and some labour leaders are reluctant to allow the business community freedom of expression.

Venezuela has four major commercial TV channels, two government-owned stations and two regional stations.

In recent weeks, business organisations have sponsored advertisement in the Venezuelan media warning workers to reject "demagoguery" from the union sector.

In response, some labour leaders have called business "reactionary".

Germans to put Moscow trade on new footing

By David Marsh in Bonn

THE Soviet Union will from next year pay in D-Marks and at world market prices for its imports from East Germany. The move is an important by-product of German monetary union, which is to take place at the beginning of July. At present, bilateral trade is handled on a quasi-barter basis with clearing accounts paid in transferable roubles.

Mr Helmut Haussmann, the West German Economics Minister, is travelling to Moscow next week with a delegation of industrialists to explore ways of putting trade between a united Germany and the Soviet Union on a new footing.

The talks will include the crucial question of renegotiating East Germany's long term purchase and supply contracts with Moscow, previously tied to five year planning periods.

Bonn is offering the Soviet Union additional help in areas like industrial logistics, transport and food supply to help overcome Moscow's serious shortcomings in its economic structure, Mr Haussmann said.

Also on the agenda next week will be discussions on converting plant and equipment in the defence industry towards civilian uses, as well as boosting co-operation in tourism and environmental technology. Mr Haussmann said West Germany would be stepping up its programme of training Soviet managers.

Haussman: help for Moscow

The Soviet Union is heavily dependent on East Germany for imports of machinery and some high-technology goods. Mr Haussmann recognised yesterday that this threw up problems for the West's CoCom rules on technology transfers.

He played down any question that a united Germany will have to take delivery of Soviet military equipment such as tanks and aircraft contracted to be purchased by East Germany. Such deals were likely to be renegotiated, officials indicated.

Fulfilment of Soviet-East German trade agreements form an important part of overall efforts by West Germany to win Moscow's agreement for German unity.

Rolls-Royce in Soviet aero-engine venture

By Paul Betts, Aerospace Correspondent

ROLLS-ROYCE has signed an agreement with Sukhoi and Lyulka, two Soviet aerospace design groups, that could lead to the development of a new engine for a supersonic business jet.

The UK aero-engine company said yesterday that under the agreement signed in Moscow, work would begin on the first stage of engine definition. Rolls-Royce and its Soviet partners will determine the new engine configuration and its main characteristics over the next 12 months before starting design work.

Rolls-Royce said further development would depend on a business evaluation, finance and the approval of both governments to launch the joint project.

The new engine would be designed to power the proposed supersonic business jet which Sukhoi and the US Gulfstream Aerospace company are studying jointly. Gulfstream and Sukhoi announced last year they planned to co-operate in the development of a supersonic business jet.

Rolls-Royce has been holding talks with the Soviets for some time over the three-nation joint venture to build a new supersonic business aircraft and its powerplant.

Rolls-Royce has also recently signed an agreement to co-operate with Snecma, the French state aero-engine company, to study the possible development of a new engine to power a second-generation supersonic airliner to replace Concorde. British Aerospace and Aérospatiale, the French state aerospace group, announced last week an agreement to begin a five-year study for the development of a new supersonic airliner.

Aerospace groups are beginning to show renewed interest in supersonic aircraft development. However, they also agree that development of new supersonic aircraft will inevitably have to involve a large amount of international co-operation. Britain, France, West Germany, the US, the Soviet Union and Japan all appear increasingly keen to work on new supersonic aircraft projects.

1992 pessimism pervades EC-Arab trade

Social and economic imbalances are widening rapidly, writes Tony Walker in Cairo

ARAB STATES, looking uncertainly towards Europe as 1992 and the unified market draw closer, resemble nothing so much as a group of startled rabbits caught in the headlights of an approaching car.

At the Tunis headquarters of the Arab League, the umbrella organisation for the 22 Arab states, planning has hardly begun on how to deal with the new challenges in Europe. Officials say the task is being left to individual states or to the newly emerging blocs such as the North African Maghreb Union.

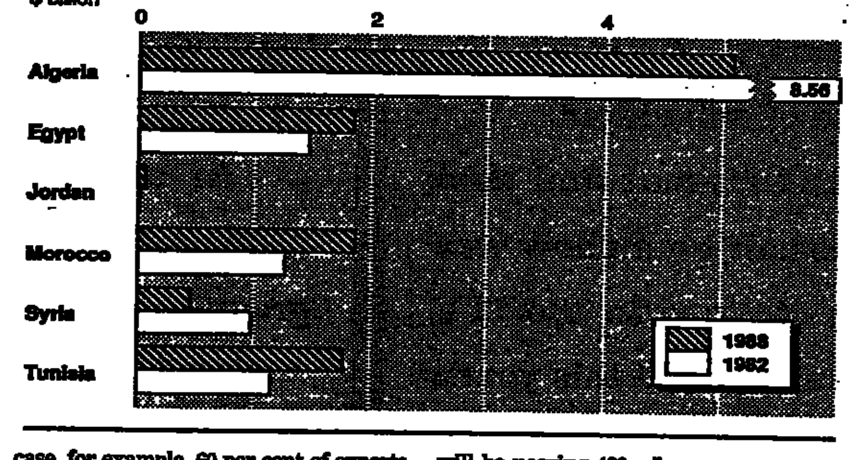
The League is also looking to the Euro-Arab dialogue, which resumed in Paris late last year. The Paris meeting of senior Arab and Community officials considered a range of issues, including market access, investment, and development assistance. Discussion will continue in Dublin next month.

Europe's importance to the Arabs is born out by trade figures which show that between 1980 and 1988 Europe absorbed 34 per cent of Arab exports (mostly oil and related products). Forty-two per cent of Arab imports were from Europe.

EC officials insist that Arab fears of difficulties of access after 1992 are greatly exaggerated. They say countries like Morocco, Tunisia, Algeria and Egypt will maintain preferential access to the Community and that the removal of trade and tariff barriers within Europe will benefit all exporters to the single market. But they also acknowledge that the market will be extremely competitive.

Exporters of foodstuffs are certain to face stiff competition from Spain and Portugal when they complete their transition to full EC membership. The countries of eastern Europe are another potential source of competition.

EC officials say that because oil forms the bulk of Arab exports to Europe the impact of a more competitive market will be slight. In Egypt's case, for example, 60 per cent of exports are crude oil and related products, 15 per cent is textile yarn, 11 per cent is non-ferrous metals (mostly aluminium) and only 5 per cent foodstuffs.



The EC has shown itself to be sensitive to Arab concerns, and especially those six – Egypt, Syria, Jordan, Algeria, Tunisia and Morocco – which fall within the grouping known as the "non-Community countries of the Mediterranean" (MNC).

A recent EC study of the relationship reached a number of disturbing conclusions and said that present trends, such as population pressures, would "quickly make a worsening of the economic and social imbalance between the two regions virtually unmanageable."

"Two hundred million people live in the 14 MNC countries, as compared with the Community's 320m and European Free Trade Association (Efta) countries' 32m," the study pointed out. "By 2025 the Community's population will not have grown, whereas the MNC will be nearing 400m."

The economies of the six MNC Arab states are, to varying degrees, beset with serious structural problems. In all cases, economic reform is a stuttering process. All six have pinned their hopes on increased exports. But Dr Khaled Fouad Sherif, Assistant Professor of Management at the American University in Cairo, voices a common fear about trade access to Europe after 1992 when he says that "basically, cheaper commodities will no longer be the way to penetrate the European market simply because European countries will have in place preferential trade agreements between one another and not the rest of the world."

EC officials are well aware of the dangers posed by a widening in the trade gap with the MNC – now running at the rate of about Ecu5.4bn (£3.70bn) in favour of the Community – but they acknowledge that it will not be easy to redress the balance.

"We cannot allow the gap to widen more and more," says Ms Francine Henrich, the EC representative in Cairo, but at the same time she conceded that all Community suppliers will face difficulties of adjustment.

The ability of countries like Egypt to penetrate the European market is open to question. "Frankly, I don't think Egypt can match the quality requirements," said one western commercial attache in Cairo.

The gloomy EC report on the MNC economies cites, apart from the population explosion, inadequate economic growth, high unemployment total foreign debt of $190bn and the difficulty of ensuring adequate food supplies.

The EC paper proposes a number of measures to ensure continued access to the Community market. But Arab experts are pessimistic about prospects.

Dr Abdel Fadal, an economics professor at Cairo University, says: "The question is survival. We should use a unified Arab house to seek better trade terms, better arrangements for technology transfer and for debt rescheduling, and if the European Community cannot offer a favourable deal, then we should look to the Pacific group."

Arab experiments with regional economic blocs are still in their infancy, but initial signs are not all that promising. The Arab Co-operation Council of Iraq, North Yemen, Jordan and Egypt formed early last year is regarded as something of a fiasco. Discussion on preferential trade arrangements within the grouping has made almost no progress.

The other Arab unions, the Gulf Co-operation Council and the Maghreb Union, are showing more promise. The GCC has shown itself to be relatively effective in representing the collective interests of its members.

"Integration can only work," Dr Sherif believes, "when relations between Arab states are de-politicised, and when people start thinking economics and not politics, and that's a big if."

Competition among Turkish car makers intensifies

By Jim Bodgener

COMPETITION between Turkish car makers has hotted up with the announcement by the leading domestic producer, Fiat licensee Tofas, that it will start making Fiat's Tempra model in November. This is earlier than expected, since the car was introduced in Italy only last month.

Tofas, a subsidiary of the Koc Group, is responding to threatened competition from projects approved recently by the government for plants to make up to 100,000 cars a year planned by Toyota and Peugeot Citroen, together with their respective local partners. At the same time, the government announced attractive incentives last month for foreign capital companies planning to establish new production lines, including import duty holidays for Completely Knock Down (CKD) kits.

Production of the Tempra will start in November at Tofas's Bursa works, and 1,000 will be assembled by the end of the year.

Gatt opens door to Moscow

By William Dullforce in Geneva

THE Soviet Union was yesterday granted observer status in the General Agreement on Tariffs and Trade (Gatt), – its first step towards integrating the Soviet economy with international financial institutions.

Observer status gives the Soviet Union only limited access to Gatt activities. It has the right to be present and speak at meetings of the Gatt council and the annual meeting of Gatt members but can attend other Gatt standing bodies only by invitation. It cannot participate in Gatt's current multilateral trade liberalising Uruguay Round.

Mr Evegeny Makeyev, the Soviet ambassador, said observership would allow his government to learn Gatt's methods of work and to study the conditions for membership.

Full membership is still as long way off. Mr Rufus Yerxa, Deputy US Trade Representative, said it was clearly understood that the decision on observer status "in no way prejudiced any action on a possible future request for accession". The Soviet economic and trade system was not at present compatible with the structures, provisions and principles of Gatt.

However, Tran Van Thinh, head of the European Community's delegation, foresaw the creation of a strengthened multilateral trading body for the 21st century "in which the Soviet Union can take its place."

EC defers to screwdriver ruling

By William Dullforce

THE European Community yesterday allowed the council of the Gatt to adopt a ruling that its anti-dumping action against Japanese "screwdriver" assembly plants was illegal.

However, the EC may have bedded the ground for further dispute with Japan by stating that it would not amend its anti-dumping circumvention rules until it has seen the outcome of the talks on dumping and circumvention in the Uruguay Round trade talks.

An EC official said the implication was that Community law remained in force and would have to be applied. It was difficult to say how far administrative discretion could be used in applying the rules.

In Japan's view approval of the report by the Gatt disputes panel means that Japanese companies are no longer required to keep the undertakings they gave to the EC Commission under its anti-circumvention rules, in order to avoid anti-dumping duties.

Companies which had accepted that products assembled in their EC plants should have a local content of, say, 60 per cent were no longer bound by that commitment now that the panel had found the EC regulation inconsistent with Gatt, one official said.

Brussels has bitterly contested the arguments used by the Gatt panel in reaching its findings.

EUROPEAN LEGISLATION

London seeks closer scrutiny of EC

By Alison Smith

THE UK Government has approved extensive changes to improve the way in which the House of Commons deals with European business.

In a policy paper to be published next week, ministers will set out plans to create "special standing committees on European documents" to consider EC legislation in detail.

Mrs Margaret Thatcher, the Prime Minister, has agreed to the changes in order to ensure that London is better placed to examine proposals coming from the European Commission.

After the EC summit in Dublin at the beginning of the month, she said she would do her best "to see that as much information as possible comes before the House."

The Government proposes up to four new committees, each of which would be based on a subject area, such as agriculture.

They would have the power to question ministers about EC proposals for up to an hour before debating the EC documents themselves.

Membership of the committees would be for a parliamentary year, so that MPs could build up expertise in particular areas.

The committees would be smaller than select committees — most of which have 11 members — but the exact size is one of the issues the Government has yet to discuss with other parties.

The aim is to provide more effective scrutiny of EC proposals, without setting up a system which requires many MPs to commit unrealistic amounts of time to make it work.

The committees will meet in the mornings, and significantly reduce late-night, sparsely attended Commons debates on EC matters.

The present six-monthly debates on the European Community will also be changed, to consider future developments, instead of recent events.

And ministers have approved some extension of the powers of the EC Legislation Committee.

Sir Geoffrey Howe, the Leader of the Commons, will provide an early debate on the policy paper and the Procedure Committee report, so that - if MPs agree - the new system can start at the beginning of the next parliamentary session in November.

Government set to spend £2bn over poll tax

By Philip Stephens, Political Editor

THE Government is set to concede an increase of at least £2bn in grants for local authorities next year to meet the cost of the controversial poll tax.

The extra money will be in addition to the cost of measures to ease the burden of the tax, which is levied by local authorities to pay for amenities and services, on individuals by giving more generous rebates for those in low-rated areas and those on low incomes.

It will also be quite separate from another £1bn bid being prepared by Mr Chris Patten, the Environment Secretary, for additional spending on housing and the environment.

The funding will mark an embarrassing admission that it has little alternative but to "validate" much higher council spending if it is to limit the political damage caused by the poll tax.

Ministers believe that they will be forced to agree an increase of at least £2bn, and perhaps one as high as £3bn. Without extra resources on that scale, a rise in local authority spending could push up the average bill by more than 20 per cent.

Outcry in London over closure of Scottish mill by British Steel

By Ivor Owen, Parliamentary Correspondent

BRITISH Steel's decision to close its hot strip mill at Ravenscraig was "deplored" by Mr Malcolm Rifkind, the Scottish Secretary, in the House of Commons yesterday when he called for a cross-party campaign to get it reversed.

Responding to angry attacks by Scottish MPs he urged his critics to stop the "emotional hype" and show the maturity needed in presenting a considered commercial case for the retention of capacity which should be seen as an asset rather than a liability.

Despite his critical stance towards BS Mr Rifkind had to contend with a sustained attack from the opposition benches, and expressions of concern about a possible lapse into interventionism from some Government backbenchers.

At one point conservative MP Mr Ian Gow, a former Parliamentary Private Secretary to Mrs Margaret Thatcher, the Prime Minister, pointedly urged Mr Rifkind not to seek to substitute his own commercial judgement for that of BS.

The Minister replied that if BS had good commercial reasons for reversing the view it held about the strip mill three years ago the workforce, which had responded to calls for increased productivity, was entitled to be told what they were.

Mr Donald Dewar, the Labour opposition's Scottish secretary, described the announcement made by BS as "brutal" and maintained that there was a strong case for retaining the strip mill in view of the growth of the European market and the activity in the North Sea oil and gas fields.

Attacking Mr Rifkind for not meeting Sir Robert Scholey, the chairman of BS for a period of seven months, he said "those were the missing weeks and the dead days when damaging decisions were being taken and you were nowhere to be seen".

Mr Rifkind sought to brush aside the political attacks by insisting that commercial reasons such as the strength of the present market for BS's products must be the basis for persuading BS to change the closure decision.

He accepted that the strip-mill was of "crucial importance" but while its closure would have signficant implications for the wider Scottish economy this was now "sufficiently robust" to meet the situation.

Tunnel official was 'victimised'

By Diane Summers

A CHANNEL tunnel union safety representative was victimised by contractors Transmanche Link because he drew attention to lapses in safety training, the construction union Ucatt claimed yesterday.

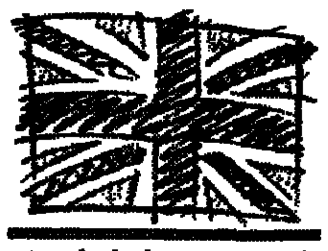
TML strongly denied the allegation and said the man was sacked for refusing to take instructions.

The row follows the eighth death of a Channel tunnel worker; six on the English side and two, including the latest fatality on Tuesday, French workers.

TML said yesterday that the sacked train driver, Mr Mick Quail, "was trying to jump on the back of the present safety situation for his own ends".

He had refused to take instructions on where he was to work, was suspended, and had then gone through a four-stage disciplinary hearing on site which had found him "guilty of indiscipline," said TML.

BRITAIN IN BRIEF



Tebbit sued by Lonrho on Harrods

Mr Tiny Rowland

Lonrho, the UK-based international conglomerate, issued a High Court writ claiming "substantial" damages against former Trade and Industry Secretary, Norman Tebbit, over the Harrods takeover affair.

The company said he was negligent and abused his ministerial powers in 1985, by blocking Lonrho from making a takeover bid for the luxury store's parent company, House of Fraser.

Mr Tebbit refused to free Lonrho from an earlier undertaking not to bid for House of Fraser and was advised to allow a bid by the three Egyptian Al-Fayed brothers.

Lonrho, spearheaded by chief executive Tiny Rowland, waged a long and acrimonious campaign to have the brothers stripped of control, alleging they lied about their background and personal wealth.

In March, a Department of Trade and Industry report into the affair said the Al-Fayeds lied repeatedly at the time of the £615m takeover.

But the present Trade and Industry Secretary, Nicholas Ridley, said it would not be in the public interest to disqualify the Al-Fayeds from the House of Fraser board and he decided to take no further action.

More inflation says OECD

The Organisation of Economic Co-operation and Development has raised its forecast for underlying inflation in the UK, though the impact of the community charge distorts the projection.

The decision by economists of the grouping of 24 industrialised countries, is the latest in a string of upward revisions of forecasts for UK inflation.

The figures will be presented when OECD finance and foreign ministers meet on 28 May in Paris, but were leaked in Paris.

British Coal may sell pit

British Coal has for the first time said it is willing to consider an offer from the private sector to save one of its loss-making pits from closure.

Mr John Northard, deputy chairman, made the comment in relation to Blaenant drift mine in south Wales, where production ceased on Monday.

His comment was made at a time of mounting concern about the risk of a wave of new colliery closures because of uncertainty over future sales to the electricity industry.

Blaenant, where £8m was lost in the past year, has recently employed about 580 men supplying 650,000 tonnes of anthracite a year to Aberthaw power station on the south Wales coast.

Bank warns on £292m robbery

The Bank of England flashed a fresh warning to the financial community to watch out for securities worth £292m, stolen earlier this month in a world record mugging.

The alert, displayed on dealing and information computer screens, followed an unsuccessful attempt to pass one of the stolen certificates of deposit.

John Goddard, a 58-year-old messenger with money broker, Sheppards, was robbed at knifepoint in a City street on May 2. The Bank issued an immediate warning.

Package tour price wars

Intasun, the UK's second largest package tour operator, launched a price war on holidays for next winter, even though more than one million holidays for this summer have still to be sold.

Intasun, part of the International Leisure Group, said that increases in its winter holiday prices were not only below the rate of inflation, but also lower than those offered by rival Thomson Holidays.

Earlier this week, Thomson launched its winter programme with price rises averaging between 10 and 11 per cent.

Europe survey for BBC

Three out of four people in the UK feel ill-informed about what the single European market in 1992 will mean for Britain, according to a Gallup survey for the BBC.

Yet as many as 86 per cent of the British population believe that European Community affairs are important for the UK.

The survey was carried out for You and 92, part of a £3m BBC Education for Europe initiative, which includes programme series ranging from languages and business opportunities to how the single market will affect the individual.

Air routes open up

UK and Japan have reached a new bilateral air service agreement to increase the number of flights between the two countries.

Four additional weekly services each for UK and Japanese airlines are provided under the new agreement.

BA has been keen to increase capacity on its Japanese routes because Japan is the fastest growing market the airline serves and involves a large proportion of high yield business travel.

A new airline route has opened up in Glasgow, the most striking result so far of the Government's new open skies policy for Scottish airports.

American Airlines has started a new transatlantic daily service between Glasgow and Chicago, after the Government decided in March that transatlantic flights from Scotland need no longer use Prestwick Airport near Ayr.

Medical scan 'snapshot'

A medical scanning system fast enough to take "snap-shot" images of moving parts of the body, such as the heart and lungs, is to be developed in a £2.2m project at Nottingham University.

The investment will fund a new laboratory for Professor Peter Mansfield, principal inventor of the magnetic resonance imaging (MRI) method of body scanning for disease.

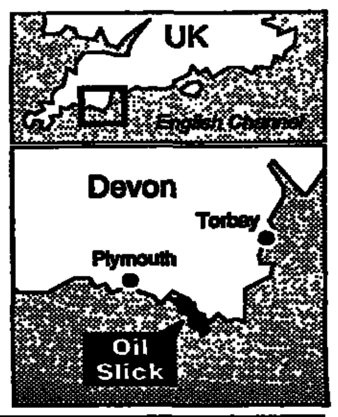
If successful, the project could put British industry back into play with the major international electronics groups such as US General Electric, Siemens and Toshiba, which dominated the market for MRI scanners in the 1980s.

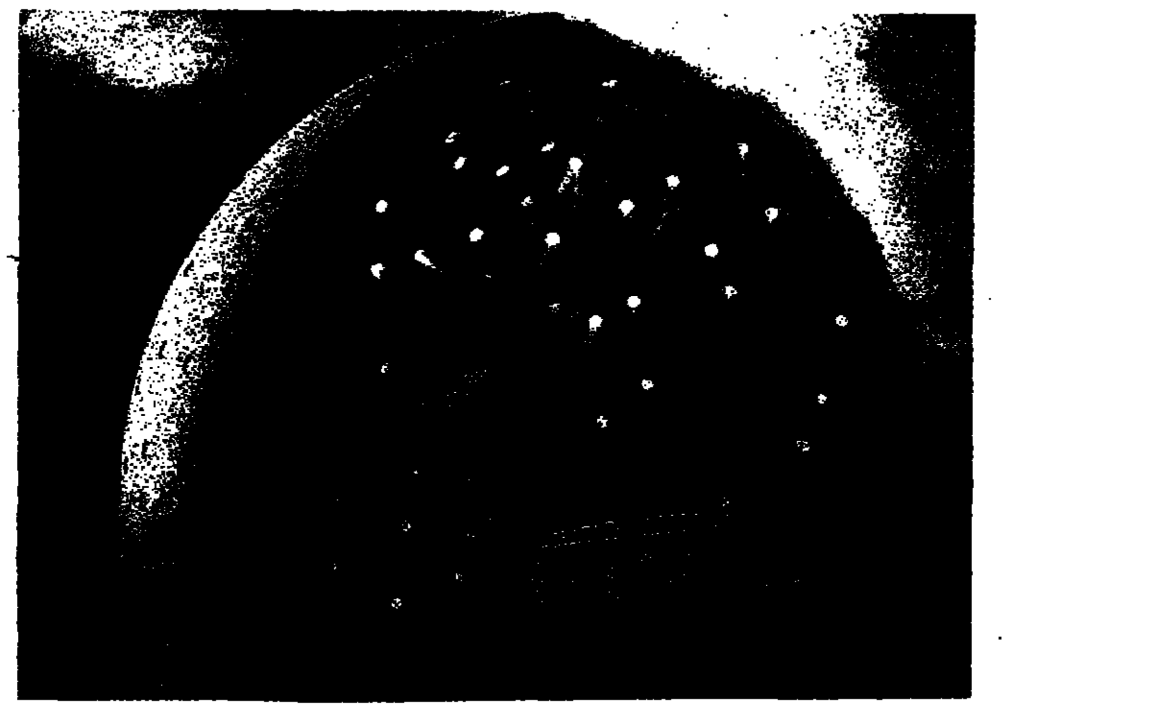
Devon beaches hit by oil

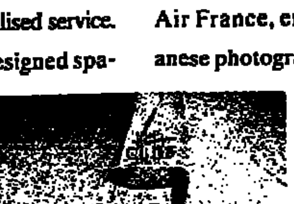
A massive clean-up operation was launched as hundreds of tonnes of crude oil came ashore on some of south Devon's most beautiful beaches.

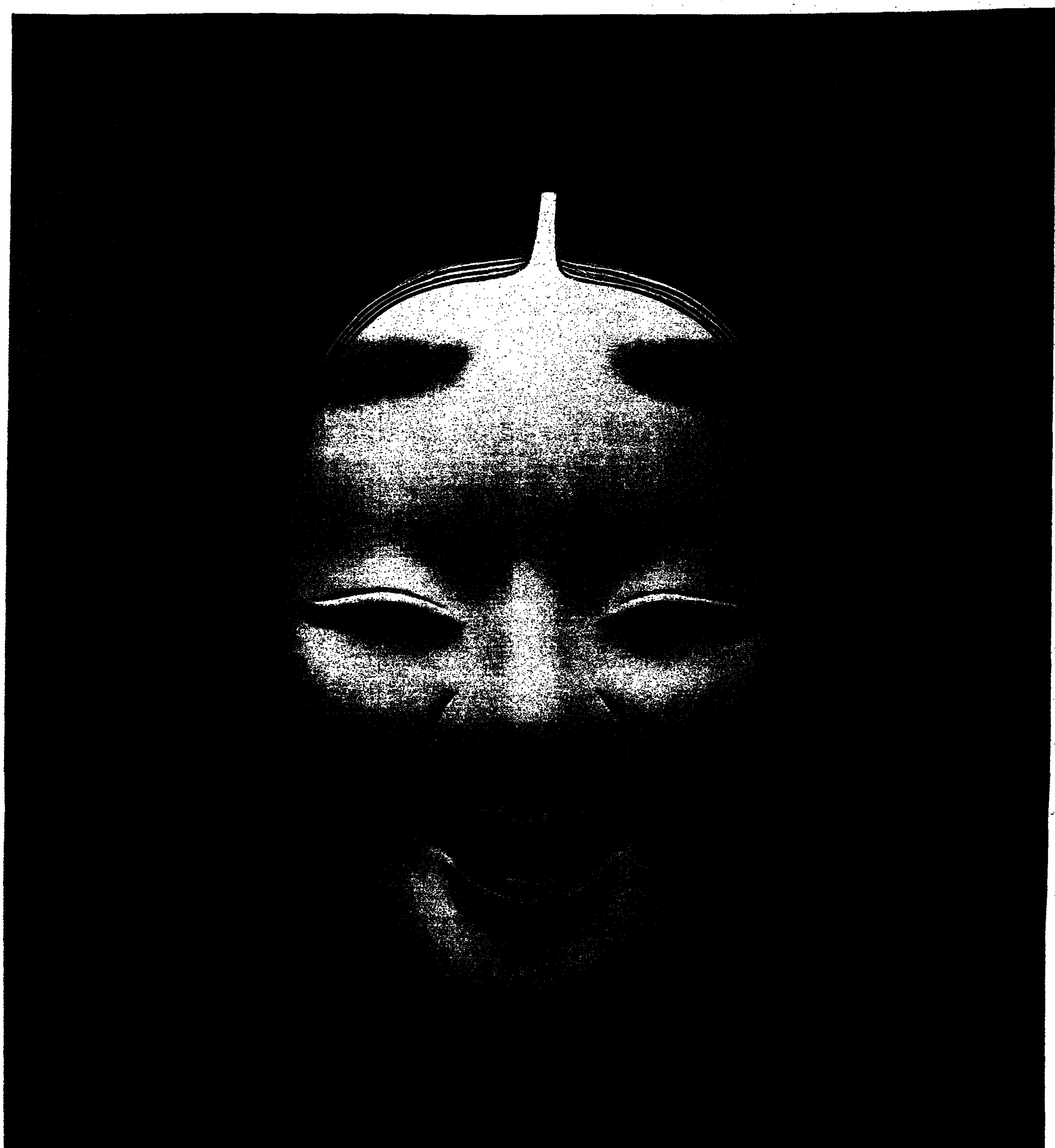
Emergency planners co-ordinating the operation said it could take a month to complete.

The oil slick came ashore along a 10-mile stretch of coast which forms Bigbury Bay, east of Plymouth.









The Noh Mask is a tradition of The Noh Theatre in Japan. This is the mask of Ko-omote, a gentle young beauty.

MADE IN JAPAN

Bright and early on June 5th the first Tokyo edition of the FT will be on the desks of the business community there.

You could say we're giving them something of an unfair advantage because, being 8 hours ahead, they will be using their daily FT before we're even up.

If you have business associates in Japan who you think might like to receive the First Edition and the following six weeks copies of the FT with your compliments and those of the Financial Times, simply send us their names, companies and business addresses together with your business card.

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UK NEWS

Capital idea for Wales

Anthony Moreton on the threat to Cardiff's rebirth

AN AMBITIOUS plan to regenerate and rebuild the heart of the Welsh capital city and turn it into one of the leading European cities by the next century now has a serious question mark over it.

The House of Commons committee considering legislation to allow construction of a £115m government-funded barrage across the entrance to Cardiff Bay, a key factor in the redevelopment of 2,700 acres of *formerly run-down docklands*, has reluctantly given approval for the huge scheme.

It did so only on condition that there should be a further period of study and consultation lasting 15 months.

The final decision will lie with Mr David Hunt, the Welsh Secretary in London.

The committee feels that Mr Hunt must be sure that on economic and safety grounds the barrage can be built.

If he is not, said the committee, "no public funds should be put towards the barrage." The committee was particularly worried over the possibility that housing in Cardiff could be flooded as the result of the barrage *altering* the water table in the city.

A decision on the barrage cannot now be made until the *autumn of 1991, which brings it* into the run-up to the next general election.

Will Mr Hunt be willing to back the *scheme when there* thought to be a chance that it could lose the Conservative party two marginal seats in the Welsh capital, especially when it holds only seven seats in the whole of Wales?

On the Labour side Mr Rhodri Morgan, one of Cardiff's two Labour MPs, sweepingly asserts "there is no way a Labour government would give the go ahead to a barrage."

He says this despite the fact that both his other Labour col*league in the city*, Mr Alun Michael and the Labour-dominated South Glamorgan County Council are in favour of the scheme.

The bigger doubt, though, must be economic. There is now a serious danger that Cardiff could miss the bus in investment terms.

Cardiff Bay Development Corporation was set up four years ago by the then Welsh Secretary.

The corporation immediately adopted a strategy of getting the groundwork right before starting building.

And at the heart of the strategy was the barrage which would *enclose a fresh-water lake of* 500 acres and release the development potential of eight miles of waterside land.

This softly-softly approach has been much criticised in Cardiff and there is some evidence that potential entrants *have gone elsewhere* rather than wait for permission to build.

All these are fishing in the same investment pool. Cardiff will now have to mark time for 15-to-18 months until it can market itself effectively, a time when the others will be pressing ahead vigorously. Both Liverpool and Bristol have large poster campaigns running in the City of London to attract investment.

Corporation chairman Mr Geoffrey Inkin points confidently to increasing investor interest in Cardiff Bay: "There is enormous inter*est in Cardiff Bay," he says,* "and we shall capitalise on it."

"There is already £250m of work completed, or committed. Some 300,000sq ft of offices and houses have been or will be built and not one penny of government money has been spent *on getting that going.*"

Mr Bernard Ryan, chief executive of the Land Authority for Wales, believes that interest *will continue and is to* the advantage of docklands.

"There is still money in the institutions and they are *increasingly coming to see Car*diff as a good place to be." The question now is whether sufficient momentum can be main*tained so that the waterside* development the corporation believes is the best option is eventually built. The MPs' report has *not* helped greatly.

EC enforces beef ban as inquiry announced

By Tim Dickson in Brussels

NO MEMBER state of the European Community *is* accepting live cattle over the age of six months from the UK amid fears over beef contamination in diseased cows.

Increasing concern at the incidence bovine spongiform encephalopathy (BSE), known as 'mad cow disease', has led to a community wide ban and an all-party committee of British politicians yesterday decided to hold a wide-ranging inquiry into the problem.

About 13,000 cattle in Britain are thought to be affected by the disease and more than 1,000 schools have banned beef products from their menus.

In Britain yesterday beef was temporarily banned from a further 127 schools in Wolverhampton, central England. A spokesman for the local authority said education officers wanted more information from the Government and environmental health experts.

It has been illegal for Britain to export for any purpose tissues (bovine brain, spinal cord, spleen, thymus, tonsils, and intestines) taken from animals over six months since March 30.

BSE was identified only in 1986; 13,172 animals with with it had been slaughtered by May 4, most recently at the rate of about 300 a week. The Community-wide ban also contains measure requiring the slaughter of calves from Britain in the country of destination at or before the age of six months.

West Germany has been the only member state to go further, introducing an embargo on live cattle, beef and offals originating from herds which cannot be certified as free from BSE.

These unilateral restrictions infuriated Mr John Gummer, the Agriculture Minister, who took the view that intra-community trade is safeguarded by the domestic arrangements for *slaughtering infected animals* and removing the offals.

Bonn subsequently agreed British meat which had also been deboned and which was accompanied by a certificate could be imported.

Mr Gummer, who believes British beef is safe, will be the first witness called to the all-party committee of MPs, which is conducting the inquiry inquiry into "mad cow" disease in a bid to halt public worries about British beef.

The inquiry into the spread of BSE and the Government's handling of it is likely to start next week.

The Government's chief medical officer yesterday gave beef the all-clear. "British beef can be eaten safely by everyone, both adults and children," Sir Donald Acheson said in a statement.

In advice to the National Health Service, he said he had checked with "the leading scientific and medical experts".

The *Anglo-German beef* trade, meanwhile, does not appear to have been significantly dented, according to first quarter figures for 1990 – 1,149 tonnes against 1,252 tonnes in the same period last year,

Non-EC importers – notably Australia, New Zealand, the US and Sweden – have slapped precautionary embargoes on British exports of animal semen, embroyos and breeding stock in response to the BSE fears.

But the policy decision in Washington that US service bases in Europe must use beef from the US (and not from local sources, including the UK) has nothing to do with BSE. That is a political reprisal against the EC ban on hormone treated meat from the US.

International concern at BSE in Britain has emerged five years after first signs of infections in UK cattle:

- *Symptoms of a new cattle* disease was first noticed by *vets in November 1985* but BSE was not confirmed until a year later.
- July 1988. Government bans feeding of *animal protein to* cattle
- November 1989. Government bans nervous tissue and certain offals from *healthy* cattle from entering food and later it is banned from pharmaceutical use.
- February 1990. Agriculture Minister John Gummer announces full compensation for slaughtered cows.
- March 1990. EC imposes ban on live cattle exports from UK April 1990. BSE is made notifiable disease throughout EC. Only Britain and Northern Ireland report cases.
- May 1990. 13,139 cattle slaughtered since BSE discovered in November 1986 out of total 12.5m cattle in UK, and an annual slaughter rate for normal consumption of about 4m.

Hopes that US, Canada, and China will join 14 nation experiment

Trial period for nuclear 'Richter Scale'

By David Thomas, Resources Editor

BRITAIN'S nuclear power stations are to try out a standard scale for reporting nuclear accidents and incidents, similar to the Richter Scale used for earthquakes.

The scale is to be tested by up to 20 other countries and might eventually be adopted by nuclear power operators throughout the world.

The 7-point scale runs from major accident (level 7), to anomaly (level 1).

The Chernobyl disaster in the Soviet Union in 1986 would have been classified as level 7. The Three Mile Island accident in the US in 1979 would have been ranked as level 5, as would the 1957 accident at Windscale (now Sellafield) in the UK.

Three criteria will be used to determine the ranking given to an event: its safety impact offsite, its impact on-site and the extent to which a plant's safety barriers have been breached.

The main purpose of the scale is to help the nuclear power industry communicate more effectively: "We're not very good at communicating *technical things.*

When people hear an engineer talking about nuclear power on the radio, it leaves 99 per cent of the population cold," acknowledged Dr Richard Taylor, Nuclear Electric's head of health and safety.

The plan is for Nuclear Electric, which has taken over the South of Scotland Electricity Board's plants, and the UK Atomic Energy Authority to start a year-long trial of the scale later this year, once staff have been trained to understand it.

Anti-nuclear power campaigners are likely to complain that the trial will not cover the nuclear reprocessing plant at Sellafield – the main focus of nuclear safety concerns in *Britain – and that the scale is* not being administered by an external body, such as the Health and Safety Executive.

The scale was agreed by a working party established by the International Atomic Energy Authority (IAEA) and the Organisation for Economic Co-operation and Development.

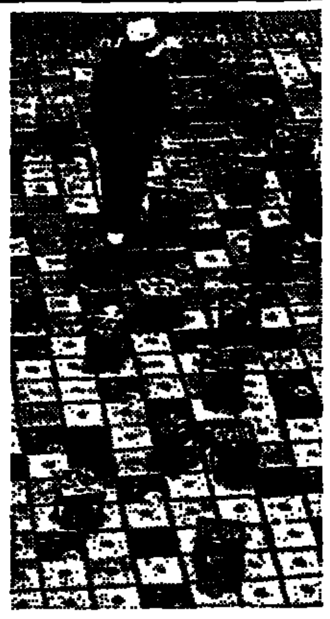
The Soviet Union, West and East Germany, Italy, Spain, Czechoslovakia, India, the Netherlands, Belgium, Sweden, Switzerland, Finland and Yugoslavia have already agreed to take part in the year long trial.

The IAEA hopes that other countries such as the US, Canada and China, will also participate.

France and Japan already operate their own nuclear incident scales.

The IAEA believes that France and Japan might adopt the new scale if the trial is successful.

It also says the scale could be extended to other industries using radioactive materials such as reprocessing and medicine.



Chernobyl: the core

Report urges more language teaching

By Norma Cohen

YOUNG school children in the UK should be offered the opportunity to study a foreign language instead of waiting *until they are in secondary* schools as is required under the new National Curriculum, according to a Parliamentary report released today.

The House of Lords select committee report was highly critical of the state of language instruction in Britain, noting that it compares unfavourably with that in other European Community countries. More pupils in other EC countries tend to study more than one foreign language, *begin studying it earlier, and* do so compulsorily up to the age of 18. It also called on Government to take steps to end the "monoglot tradition of English society", saying that social attitudes are also hindering language instruction.

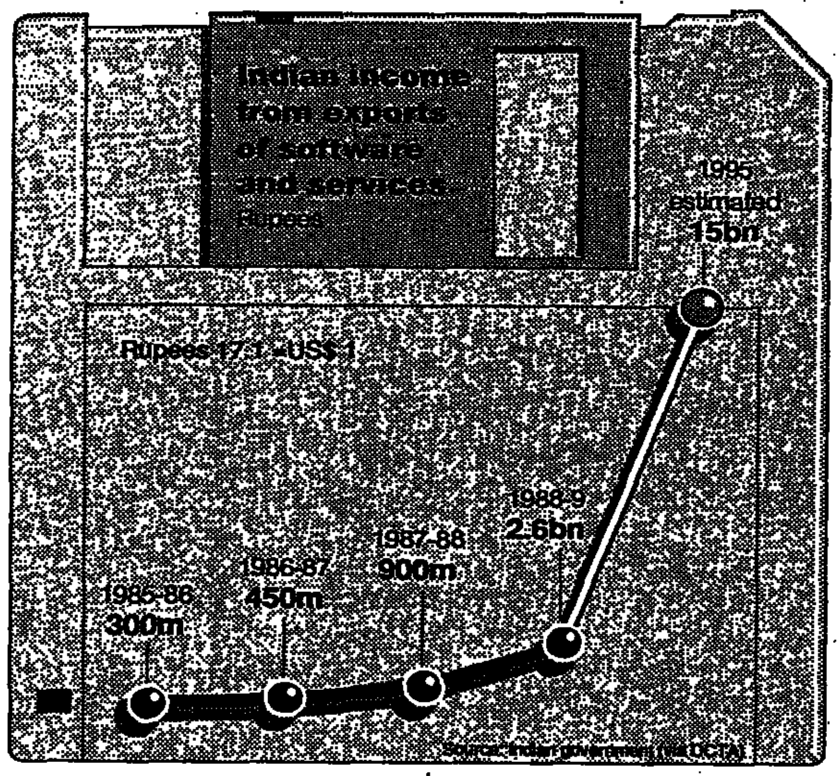
In its conclusions, the report noted that the Department of Education (DES) had supported the principal of foreign language instruction for younger children but did not think it feasible because of a shortage of qualified teachers.

The report concluded that "the shortage of teachers is the most serious concern with *regard to the future of modern* foreign language teaching in the United Kingdom", and urged immediate action on teachers' status, conditions and pay. Among other steps, the Committee urged the employment of qualified language teachers and teaching assistants from other EC countries. Also, because women teachers tend to predominate in languages, more thought should be given to assisting them with child care.

The DES forecast a shortage of 1,750 foreign language teachers to meet the *demands* of the new curriculum.

Leslie Tilley reports on the increasing use of overseas experts for IT development

A passage to India



British businesses are moving software development projects to Asian countries as a way to reduce costs and to overcome the difficulty of recruiting information technology (IT) staff in the UK.

India is set to become the chief overseas software centre for western businesses, although Singapore, Malaysia, the Philippines, Thailand and China are also looking to solve western demographic and wage problems and gain valuable foreign exchange by exporting their skills.

In India – where computer programmers' salaries are around £3,000 a year, about a fifth of the UK average – a system can be developed for half what it would cost in Britain. Indian programmers are highly productive and are often compared to the Japanese. UK companies that have done business with them say they are 150 per cent more productive than their UK counterparts. At the same the quality of their work is of an international standard.

Bill Murphy is chairman of the Third Wave group, a software house based in Hounslow which is subcontracting work in India on behalf of British clients. He says: "The market for offshore programming is about to explode as companies face reduced budgets and balk at high British salaries. We have proved that the UK's skills shortage can be solved elsewhere. The average Indian IT practitioner is of very high quality."

Third Wave has links with Bombay-based Tata Consultancy Services, the largest software company in India, and International Informatics Solutions (IIS) in New Delhi. One of Third Wave's clients, Britannia Building Society, has a private satellite hook-up with IIS so that Indian programmers can work remotely on the Society's computers in the UK to develop a £750,000 loans and banking system ordered in March of this year. This is one way of overcoming the lack of advanced hardware in India and the time difference can be exploited so the offshore staff use the computers when the machines would otherwise be idle.

Malcolm Sproat, deputy general manager for IT development at Britannia, says: "Third Wave's ability to deliver quality software from lower-cost areas such as India means Britannia will achieve a bespoke systems integration solution for the sort of price we might pay for a package."

Britannia's private satellite connection with IIS points to one of the obstacles to effective long-distance work of this sort: the relatively poor state of Indian national telecommunications. India needs to spend $8bn on its telecommunications infrastructure to bring it up to western standards.

None the less, the number of western companies either handing over software development to a foreign firm or opening an office in Asia has been steadily increasing over the last few years. American information technology and financial services companies have moved much more quickly than their European counterparts to take advantage of offshore programming. US companies are estimated to account for 80 per cent of Indian software exports.

More and more British companies are choosing to follow suit.

London Underground last year rejected local companies in favour New Delhi-based CMC Ltd to develop a £200,000 enhancement to the Computer-Aided Railway Time-Tabling (Cart) system. The system is due to be tested in the UK this month.

Russel Fawcett, Head of London Underground's Information Technology, says: "The advantage of CMC is they came out with a refreshingly different approach and their offer was sharp as far as price was concerned. I was extremely impressed with their staff who are very proficient."

Only 25 of the 300 Indian computer services companies have offices abroad. CMC belongs to that select group, and Sudhir Saxena, the company's international manager, works out of London.

"We do analysis and design in the UK and programming in India. It is cost-effective for the customer. Many companies have tried to do business from India; being in the UK has helped as distance is a problem," he says.

India has embarked on a hard-sell programme to raise awareness of its potential to take on IT projects. It has also offered financial incentives for Indian companies engaged in export projects. For example, no duty is payable on equipment, such as computer hardware, imported to India which is to be used for export-related operations.

India has the world's largest English-speaking population outside the US and more than 2m scientific and technical graduates who tend to view IT as one of the most attractive occupations.

The Indian Electronics and Computer Software Export Promotion Council (ESC) says that most computer staff have postgraduate degrees and that there are almost 1,000 technical institutions training 250,000 staff each year. The Indian IT market is currently worth approximately $1bn with software sales accounting for over $200m. Exports account for more than a third of this figure, according to Saurabh Srivastava, chairman of ESC. Eighty per cent of Indian software exports are from contract services for overseas companies (as opposed to income from exporting software products).

Apart from communications difficulties, perceived problems with moving IT development overseas have made some observers cautious about its potential.

Tony Lewis, director of the UK's Computing Services Association, maintains that "there are a number of factors working against offshore programming being an ideal solution."

"It looks excellent on paper but implementation is difficult," he says. "The issue is not quite as simple as lifting staff and supplanting them, as there are other issues such as training and problems with the different development cultures, such as the way we structure programs."

Mr Srivastava acknowledges some of these concerns: "There are risks involved and there will be problems, there is no question about it, but they are manageable. Once a company has tried it, they feel comfortable."

Those involved in training in India are importing IT courses from the UK to tackle these issues. The UK's National Computing Centre says that the number of schools in India which offer the NCC Diploma in Computing Studies has doubled from 30 last year to 60 this.

The links with leading British companies are also helping to improve Indian staff's IT skills, but companies are encountering the same problem faced in the West – once people have been trained in the latest techniques they tend to leave their employer to set up on their own.

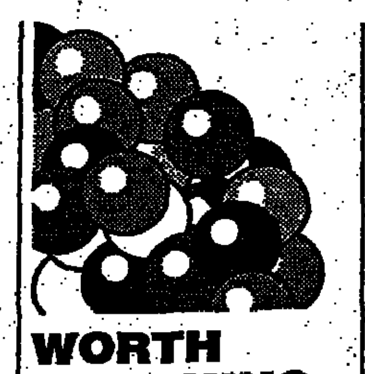
Learmonth & Burchett Management Systems (LBMS), a London systems house which develops state-of-the-art products used for building software, imported a team of 14 staff from Chenab Technology in Bombay for a project in the UK instead of training or hiring expensive IT contract staff.

Chenab recruited some key staff in India specifically for the project. LBMS intended the core team to return to India and train other Chenab staff so the majority of LBMS's programming could take place there. It didn't work out as planned. The key staff left Chenab once they returned to India.

"There is a lesson to learn," says Michael Gilpin, LBMS's softwar group manager. "When choosing an offshore partner make sure they already have the staff and skills on board if you want to use them again, as it can be incredibly damaging if they leave."

Mr Fawcett at London Underground notes that the fact that CMC had a London office was a "comfort factor."

"In spite of the transport overhead of having to send teams to India and bring CMC's staff over, we are still very much more in pocket than we would have been if we had used a UK institution. Their staff are certainly not lacking in ability on modern techniques. As we gain confidence we are more likely to put large systems development project their way."



WORTH WATCHING

Della Bradshaw

Meshing voice with computers

INTERNATIONAL Business Machines has announced products and agreements aimed at linking its computer systems with business telephone systems to support combined voice and data communications applications, writes Louise Kehoe.

IBM described its new CallPath Services Architecture (CSA) as a framework for the integration of voice technology with existing and new computer applications.

In addition, IBM introduced the first of what it said will become a family of systems software products designed to implement CSA on its computers. The CallPath/400 will run on IBM's AS/400 mid-range computers. Versions designed to run on other IBM products including its mainframe computer and personal computers will follow, the company said.

IBM also said that it has reached agreements with ROLM, Siemens, of West Germany, and Northern Telecom, of Canada, to provide links to CSA on their private branch exchange (PBX) switching systems.

A snug fit

HIGH-POWERED workstations have in the past been the domain of high-budget departments. But the latest machine from workstation veteran Sun Microsystems, of California, brings the cost of a machine down to less than £4,000 – comparable to that of sophisticated personal computers.

Sun believes this will make it particularly competitive for applications such as electronic publishing and for gaining access to databases, as well as providing a cheaper tool for the more traditional workstation applications, such as design and engineering.

The Sparcstation SLC, as it is called, also does away with the need for a base unit, as all the components are squeezed into the desk-top terminal.

The workstation, which is compatible with Sun's existing product lines, can process up to 12.5m instructions per second.

Filming fractures

HIGH SPEED x-ray images of materials under stress could lead to a new understanding of fractures and dislocation strains as they occur at atomic level in high-strength material, writes Lynton McLain.

Brian Rodricks, who developed the system at the Argonne National Laboratory in Illinois, says: "The technique should permit us to take motion pictures of chemical reactions as they occur."

Scientists at the laboratory use a charge coupled device, treated to withstand continuous X-ray bombardment, to retrieve data in 25 millionths of a second. More common varieties of charge coupled devices are used in small video cameras and other light detection devices.

The device is used with powerful x-rays which permit studies of material formation and deformation that were not previously possible. It is possible to observe at an atomic level in real time stresses created as new materials are formed.

Screen chatter

THE latest electronic system to speed the transactions of foreign exchange dealers has been introduced by Quotron, of Los Angeles.

The Quotron F/X Trader allows the dealer to carry out six data "conversations" on the screen at one time. Those six are a personalised mixture of "fixed" format messages – a sort of standard form into which the dealer just has to insert, say, a figure, and "free" format messages – the computer equivalent of a blank sheet.

Each of the messages is labelled with a pictorial icon to indicate what is happening on each screen – when a call is being placed a tiny picture of a telephone appears, which changes into a ringing phone icon when appropriate. If urgent action is required a a red triangle containing an exclamation mark appears on the appropriate section of the screen.

The F/X trader system is based on Digital Equipment hardware and uses IBM PS/2 terminals.

Dial again

THE problem with internal telephone books is that they are out of date almost as soon as they have been printed. The answer could be the electronic directory.

British Telecom's aptly named Cohort 500, lists employee's mobile phone or pager numbers alongside their names and jobs as well as the more mundane internal phone numbers. The directory can be compiled in several ways, including alphabetically or by department and can be updated by tapping in the correct changes as soon as they occur.

The Cohort 500, which BT claims is the first in the world to adhere to the international X.500 standard developed for electronic directories, can run on a variety of computer hardware. It also connects to the company telephone system so that an incoming call be put through directly the correct extension has been identified.

Funny money

HOTELS or exclusive shops often have a cash problem. When they are handed wads of notes or travellers cheques how do they check whether they are genuine or counterfeit?

To help provide the answer an Israeli company has developed an electronic "pen" to detect the genuine article by measuring the amount of magnetic particles on the paper – particles put there during the printing process to authenticate the note.

The electronic head of the Mastercheck is rubbed across a section of the note where it analyses the magnetic particles. The original version, developed by Gaash Industries, of Herzlia, and sold in the UK by Brent Barwell Marketing, of London, has been developed for use with US dollar notes.

Contacts: IBM: UK, 0705 321212. Sun: US, 408 276 3200; UK, 0276 20444. Argonne: US, 708 972 5580. Quotron Systems: US, 213 302 4606. BT: UK: 0344 861961. Gaash Industries: Israel, 52 521 1111. Brent Barwell: UK, 081 299 1982.

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MANAGEMENT: Marketing and Advertising

The race for dominance

William Dawkins on how producers can relieve retailers of the upper hand

European food and drink producers be warned. The rules of the game are about to get tougher and more complicated, according to an internal report* by management consultants Bain & Company.

Overall, Europe has much catching up to do in the consolidation taking place across the food and drink industry; its top producers have smaller market shares in most sectors than have their counterparts in the US and Japan.

Meanwhile, fast moving and aggresive supermarket chains in several countries are poised to take the initiative away from suppliers in France and West Germany, as they already have in Britain and the Netherlands, says the study, carried out by Bain's consumer products division. For all the upheavals that Europe's food industry has been through in recent years, it seems that – if Bain is to be believed – much more is to come.

The race for market dominance between producers and supermarkets has only just begun, concludes the group, on the strength of interviews with 35 senior executives from food and drink companies and supermarkets in France, Britain, West Germany, the Netherlands and Switzerland.

To come out on top of the upheavals ahead, producers need to be clear about how their brands can co-exist with supermarket own-labels, do all they can to maintain some control over the way their brands are handled in retail outlets, and develop new outlets outside supermarkets, recommends the study. For weaker brands, even that may not be enough, it warns.

It goes without saying that the European food industry's top five players, Nestlé, Grand Metropolitan, Allied Lyons, Unilever and BSN, are already several years into the current round of consolidation.

They made nine takeovers worth more than $500m each in the two years to 1988 – just over double the number in the previous three years – lifting their share of total food sales to 6 per cent. But this is still well behind the 12 per cent held by the top five in the US or the 14 per cent held by Japan's five biggest food and drink companies.

Supermarkets too have been increasing their hold, especially in the UK, so that Tesco and Sainsbury boosted their combined share of UK food sales from 18.1 per cent to 20.1 per cent of total volume in the five years to 1987. This pattern was also followed in France, where Intermarché and Leclerc held 23.1 per cent of French food sales in 1987, a huge jump from 13.4 per cent five years previously, as well as by Aldi and Rewe-Leibbrand in West Germany and Albert Heijn in the Netherlands.

Yet the consequence of this double consolidation among food producers and supermarkets has been very different in the UK and the Netherlands on the one hand, and France and West Germany on the other. In Britain and the Netherlands, retailers have been getting better control over their outlets by selling more of their own labels and setting up central buying and deliveries.

Meanwhile, the arrival of computerised stock controls has allowed retailers to get an instant picture of how different brands perform on scarce shelf space, thus allowing supermarkets to be more selective over what they buy and hence strike harder bargains with producers. In many ways, British and Dutch retailers have even been taking over some of the brand producers' traditional functions, like product development and marketing, says the study.

This process has hardly started in West Germany and France, though French supermarkets have long been notorious for their aggressive behaviour towards suppliers, for example, through the practice of hitting back in price disputes by "delisting" or refusing to stock a product at a moment's notice.

Either way, it suggests that brand producers are in for a hard time when French and West German retailers begin, as Bain thinks they very likely will, to take more marketing initiatives along the lines of their Dutch and British counterparts.

"The parallel consolidation of the trade and brand producers is very likely to lead to a fairly drastic shakeout of the medium brands," warns the study. Bain reckons one answer for producers is to seek to dominate specific markets by taking over brands that are so strong that they will always have a place alongside supermarket own labels, while at the same time avoid needlessly defending weak brands.

After all, most supermarkets have found their own labels need to sit alongside a strong producer's brand if they are to win consumers' attention.

Producers should either push for strong awareness of their own brands or make own-label products for supermarkets, because there will be very little room for in-between products that are neither strong brands nor own labels, warns Bain.

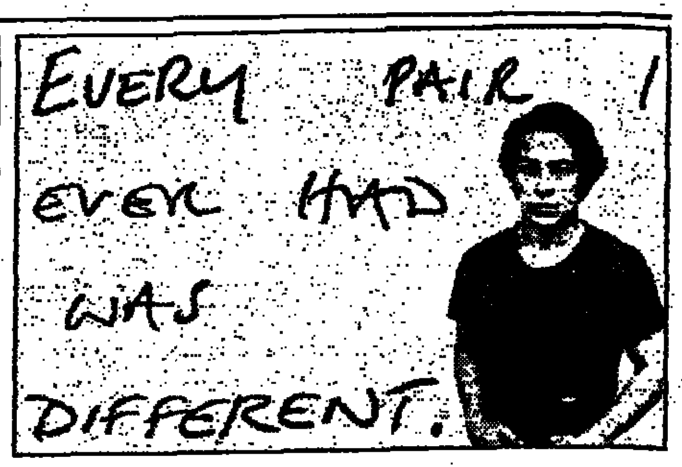
Examples of producers that have built up coherent portfolios of strong brands in specific sectors include the Swiss groups Jacobs Suchard and Nestlé in confectionery, or France's BSN in biscuits, pasta or jam, reckons Bain.

But that is not enough. Producers will increasingly need to build barriers to entry in products where they are already strong, like Unilever did in the 1980s by producing a range of different margarines targeted at highly specific kinds of consumer – a move very difficult for anyone else to replicate. Others are to boost advertising spending and to try out new outlets, like corner shops, home deliveries or company cafeterias.

As Bain warns: "If defending top brands is indeed one of the most relevant priorities for the brand producer, the critical question is whether he can afford it or not."

All this suggests that – at the very least – the strong producers in France and West Germany will get stronger and the weak ones more vulnerable. One company chairman in the study even predicts that within 10 years, only three major European specialists in food and non-alcoholic drinks will remain: Unilever, BSN and Nestlé.

* *The battle for the value added chain, Bain & Company, Thomas-Wimmer-Ring 3, 8000 München, West Germany*



YEAR AFTER YEAR Bartle Bogle Hegarty's campaigns for Levi 501 jeans have scooped the prizes at the advertising industry's award ceremonies, writes Alice Rawsthorn.

And year after year the agency's creative team has to produce a new campaign to meet – or beat – the standards set by its predecessors.

This year BBH called in Richard Avedon, one of the most famous US fashion photographers, to shoot its new magazine advertisements for 501s. The result is probably the most dramatic 501 campaign to date.

The ads are black and white portraits of four people – a plumber, a welder, a photographer's assistant and a fisherman – spotted on the streets of New York. The campaign is inspired by Avedon's controversial book of photographs "In the American West".

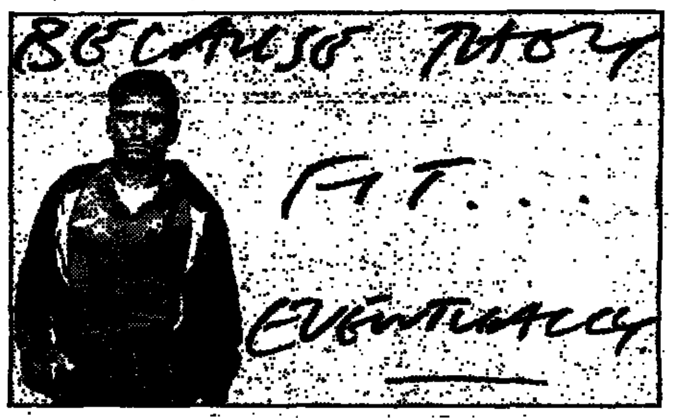
The subjects of the portraits are all wearing the old, battered 501s they have had for years. Their comments – "Every pair I ever had was different," from a photographer's assistant in Gramercy Park and "Because they fit... eventually," from a fisherman in Staten Island – are scrawled across the background.

Avedon spent no more than 15 minutes on each portrait, according to Martin Galton of BBH, campaign art director. "He winds his sitters up whatever way he can, until they drop their masks," he says.

The campaign, which will cost £250,000, will appear in glossy magazines like The Face and Arena, whose young readers are likely to relate to the stark New York street imagery of Avedon's photographs.

The new campaign comes at a very sensitive time for Levi and the rest of the jeans industry. The jeans market is notoriously volatile. The level of demand tends to wax and wane with changes in fashion. Levi, like its competitors, fell into the doldrums in the mid-1980s. Its fortunes have since revived thanks to its success in relaunching 501s as the authentic, fly-buttoned jeans. But the market is changing. The revival of flared jeans may depress demand for established styles like 501s.

It may seem strange for Levi to try to persuade people to buy 501s by running a series of ads featuring ageing, faded denim. But the new campaign will, or so it hopes, reinforce the role of Levi 501s as classic clothing which will always be worn whatever the fashion of the moment and however old and battered they may be.



Co-operation — not confrontation

Maggie Urry explains the aims of AMS, a consortium of European supermarket chains

"WE did not want to be another arm-twisting buying group. If there is no benefit for the manufacturers there is no saving to be passed around. The only way to proceed is co-operation – not confrontation."

These fine words are from Peter Howitt, a member of the advisory board of Associated Marketing Services (AMS), a group formed by a number of leading European food retailers aiming to work together in dealing with suppliers.

They believe there are significant savings to be made which should enable the member retailers to improve their own profit margins while keeping food price rises below the general rate of inflation as they have done in most European countries in recent years. They also believe they would be able to offer their customers a wider choice.

But, Howitt says, if AMS were merely dedicated to screwing tighter terms from suppliers, the Brussels competition authorities would take a decidedly doubtful view.

The individual retailers will continue to negotiate buying terms directly with suppliers, on a confidential basis. But the manufacturers will also pay a percentage of the sales volume generated by each retailer direct to AMS headquarters in Zug, Switzerland. After paying for central costs, this money will be shared out to retailers on the basis of the volumes bought from each supplier.

Howitt is also corporate development director of Argyll, the Safeway, Presto and Lo-Cost British food retail group, which was one of the nine founder members of the AMS.

Between them the nine have £30bn of retail sales, though not all in European grocery retailing, and an average 11 per cent of the grocery market in the nine EC and Efta countries where they operate.

Together they have 11,500 stores in Europe stretching from Sicily to northern Finland. A tenth member, Allkauf, a West German retailer running hypermarkets and a number of non-food retail chains, has just joined.

Last month AMS started sending out brochures to the leading suppliers to the retailers, explaining the aim of the new grouping, and listing 14 possible areas where co-operation could bring savings.

These include standardising recipes and packaging to make savings, co-ordinating distribution, introducing suppliers to new markets, saving on testing new products since one retailer in the group could give test results to others, co-ordinating raw material sourcing for suppliers, optimising stock holding to save working capital, sharing out goods in short supply rather than fighting over them, – and various other ideas. The retailers could even get together to buy carrier bags.

Howitt believes that Europeans are far more ready to buy the same products as their cross-border neighbours than most marketing men would have people think. Rather than accentuating differences between markets, manufacturers and retailers should look for common denominators.

Also, he says, though many suppliers are talking about pan-European marketing most still work on a national basis. "The European platform exists, but it is a liaison role, not a decision-making role in most companies," he says.

Work had started at AMS some time before the brochures began to go out. The group aims to take various product areas in turn and take a close look at them, talking to suppliers to identify savings.

One study already covered is on pet food, and has resulted in suppliers agreeing to make payments to AMS of 1 per cent of the value of pet food bought by the partners involved – a significant benefit when net profit margins are around 6 per cent in the UK and often lower in Continental Europe. And, says Howitt, individual retailers will get better buying terms from the suppliers as well which could match or top the 1 per cent going to AMS.

The pet food study was organised by Roy Heath, Argyll's seconded co-ordinator. Each of the retailer members has sent a co-ordinator to Zug as well as having one member on the advisory board.

Heath says pet food is a growing market but one where there are a few, large suppliers and a number of small ones. There was a demand among the retailers for a quality own-brand pet food. Seven said they wanted to join this particular project and put together information on the amounts they bought and from whom.

Together they purchased SwFr 445m of the products a year, and the main suppliers were Mars, Spillers, Quaker and Nestlé. But while Mars supplied six of them, Spillers supplied only two and Nestlé four. The first obvious point was that the suppliers could be introduced to those retailers not buying from them.

Suppliers had not been willing to develop a good own brand for the small volume that one of the retailers would have taken alone. However, the combined group could agree to buy sufficient volumes to make it economic to produce a new own brand recipe, to which they would then affix their own label.

They found that a lot of the fish for catfood was imported from Thailand, and the group could combine the shipping of the fish to Europe, saving transport costs. There were also opportunities for co-ordinating suppliers' production scheduling to make savings.

These were only preliminary ideas, but encouraged Heath to go deeper into the study. Further investigation found that a Danish supplier, Loven, was supplying Migros, the Swiss retailer. Migros said it was happy with Loven as a supplier, and other retailers in the group said they would buy from it too.

Nestlé was asked to develop an own brand wet catfood which five of the retailers would be prepared to stock, as well as some of the retailers being ready to stock some of Nestlé's brands which they had not carried before.

Howitt stresses that only if the suppliers make savings can AMS extract a "synergy bonus" and individual retailers can improve their buying terms too.

Will this lead to a proliferation of brands on the retailers' shelves? Howitt says not, since there will be a constant process of rationalisation too, though he believes that a retailer "cannot fight a genuine consumer demand. You delist a major brand at your own cost."

CINEMA

A couple with a certain je ne sais quoi

MAX MON AMOUR (18)
ICA

TORRENTS OF SPRING (PG)
Curzon, West End

THE GODS MUST BE CRAZY II (PG)
Cannon, Oxford Street

POWWOW HIGHWAY (12)
Electric

The British couple (Charlotte Rampling and Anthony Higgins) living in Paris have assimilated all the stiff formalities of the French. They live in an immaculate apartment, have discreet affairs, and love their young son in their reserved way. When the husband discovers that his wife Margaret's new lover, Max, is a chimpanzee, they calmly talk it over, as sophisticated French film couples do, in a smart restaurant.

It is this insistence on maintaining convention that is half the charm of *Max Mon Amour*. When Max moves in with the family, director Nagisha Oshima's delicate touch rules out any suggestion either of pornography or of an acutely perverse Disney movie. The husband's jealous vigilance over Max, and his desperate and unanswered questioning, underlines what everyone is asking: what do they actually do? The idea is disturbing, especially in the hands of the man who made *Empire of the Senses*, one of the most powerful films about sexual obsession, and Max at first seems to represent something primitive and uncontrolled in a rigidly ordered world.

But the chimpanzee is gentle and affectionate: he creates some welcome disorder in their lives, cheerfully ripping wallpaper and breaking china. In spite of his strength, Max is childlike and dependent and he loves spontaneously, without qualification. He inspires more tenderness in Margaret than she has shown to her own son, and gradually overcomes her husband's hostility. The situation, always treated with calm and grace, becomes not shocking but almost reasonable. The cast take their characters very seriously so that both sensationalism and farce are avoided, even in a scene at a starchy dinner party where Max starts getting amorous with Margaret. Near the end, people cheer him in the street. The pre-conceptions were all wrong. Max brings freedom, love and hope, even if it may not last.

By keeping to the mood of a French sex comedy, or even a Bunuel film, (writer Jean-Claud Carriere's credits include *The Discreet Charm of the Bourgeoisie*, and *That Obscure Object of Desire*), and obeying the rules of decorum, while posing awesome questions, the film keeps its sanity. The story is told without affectation, the largely English cast even making self-important sub-titles largely unnecessary. Charlotte Rampling invests Margaret with compassion and dignity and, with Max's unsentimental performance (achieved by combining a real chimpanzee and a model) brings credibility to their extraordinary attachment. Though the initial impression is surprisingly lightweight, *Max Mon Amour* is a memorable film for unexpected reasons.

The culture class is more predictable in *Torrents of Spring*. A young Russian nobleman (Timothy Hutton) on

Charlotte Rampling in "Max Mon Amour"

a European tour, falls for a shopkeeper's daughter, and is then seduced by a countess of humble origin (Nastassia Kinski). The thin characterisations make Hutton's discoveries about love less than significant, and writer/director Jerzy Skolomowski has not been able to improve on the dull structure of Turgenev's novel, or to find any surviving relevance in the class-conscious them. There are picturesque German locations, ravishing 1840s outfits, and earnest performances from its cast, but nothing that brings energy to a lifeless story.

A few years ago, South African director Jamie Uys charmed Europe and America with a modest comedy about an African bushman who finds an empty Coca Cola bottle. Among people who subsisted entirely on what they could find in an arid land, the bottle represented the first glimpse of consumerism, and had a powerful effect on the community. Though Uys's treatment was delightful, his idea was so overstretched that the news of a sequel, *The Gods Must Be Crazy II*, was daunting. But fears that he might simply rework the theme, substituting a Pepsi bottle, were unfounded.

This time Uys's film is packed with incident and characters all separately lost in the Kalahari, who meet and interact, their adventures pulled together by a bushman who observes them all. An American tourist, ivory smugglers, two opposing mercenaries, and lost children, all deal with the inhospitable terrain in their own way. It is the landscape – bush, rocks, desert – that provides all the comic opportunities, often in the form of city types being chased into trees by wild animals.

The original film attempted to put Western values into a new perspective, but *Gods II* is short on insight. The characters do not ask any questions, except how to get home, and heavy-duty people, like the smugglers and mercenaries, are presented as harmless incompetents. But, if you can accept the clumsy effects (speeding up the film is a favourite), and the fact that the story has nothing new to say, this is a funny and likeable film. Though it relies heavily on slapstick, and, if the heroine had lost her dress only once, it would still have been once too often, there is a warmth to the film that is irresistible. And the character of the bushman – tolerant and giving – tempers the film's excesses with indestructible dignity and good humour.

Powwow Highway, set in Montana, has a surprisingly similar background of plains and mountains, and a similar sacrifice of action at the expense of thought. Two young Native Americans take to the road to spring a friend from jail. Their journey starts with a political focus, the threat of white men imposing on their land, but they gradually assume the spiritual qualities of two young braves confronting Nature and their ancestral spirit. Their interpretation of these traditions is often disconcertingly modern – their clapped-out car is their war-horse, a Hershey bar wrapper marks a trail. Their quest to find their roots promises some interesting developments, but, unsure whether to make political statements, examine their souls, or sink into knockabout comedy, the plot gets as lost as its characters.

Ann Totterdell

Ute Lemper

FESTIVAL HALL

"Sold out" signs were proudly displayed and a full and enthusiastic house welcomed a lady who plainly has a following for her Weill recitals, in some quarters at least. Last night's gathering was to all intents and purposes a pop concert: house-lights down, fearsome amplification, moody colours on stage, atmospheric props. The Festival Hall hardly lends itself to such proceedings. Perhaps in a smoke-filled cellar with no microphone Miss Lemper might have struck some sparks, perhaps not. The voice is slender, with three modes: the cooing-dove (the most attractive of the three), the applied vibrato (too mechanical), and the shrill-belt, which, to say the least, is not flattered by amplification that tends anyway to iron out into inexpressivity what little voice there is.

In the end the evening depended on what you think about Weill. If you consider him as just the Andrew Lloyd-Webber *de ses jours*, then I suppose anything goes. But if he is one of the greatest songwriters and music-dramatists of the century, one whose importance has yet to be fixed, then this shouldn't be allowed to happen. Of understatement, irony, detachment, all central to his art, there is no trace in Miss Lemper's singing: each number is attacked ferociously. No wonder, given her aggressive, strident "Surabaya Johnny", Johnny got the hell out.

Rhythms, phrases, are pulled about relentlessly, and expression is laid on not so much with a trowel as with a mechanical excavator. Worst of all is the constant tinkering with harmonies on the part of the good but over-complaisant accompanist, Jeff Cohen. Weill is, for heaven's sake, in copyright – just imagine what would happen if someone started "improving" Stravinsky's harmony. The derangement of the "Moritāt" from *Die Dreigroschenoper* was a horror beyond any description (the vulgar upward modulations, for a start – the whole point of the number is that it *doesn't* modulate).

Numbers from Weill's stage-works wrenched out of context make as little sense as bleeding chunks of Wagner: to belt out "Trouble Man" as a torch song without mentioning its place in a musical based on *Cry, the Beloved Country* is artistically speaking something approaching an act of criminal negligence, and Miss Lemper's linking remarks did not in general inspire confidence (Lenya did not sing "the leading part" in the première of *Dreigroschenoper*, Weill's first collaboration with Maxwell Anderson was not called *Knickerbocker Holidays*, and *Johnny Johnson* was not performed "off-off-Broadway").

The more successful numbers tended to be the individual songs: the magnificent "Rote Rosa" was taken gently and really felt, as was "Nana's Lied", a major work from the late period. Elsewhere, the way Miss Lemper galloped through "J'attends un navire" (one of the greatest songs written this century, also delivered without any hint of its context) or the "Matrosen Tango" gave rise to as severe doubts about her response to Weill's music as did her cute crooning of "My Ship". Yet the way she told us that, for her, singing Weill was an act of affirmation in the humanism he stood for was a touching tribute from someone of her generation, and in that context it is tragic that she seemed on this occasion to betray his genius at every turn. I just pray she never gets her hands on Schubert.

Rodney Milnes

The Black Mask

BRIGHTON FESTIVAL

The Polish State Opera of Poznan have brought two productions to Brighton – singers, sets, chorus, orchestra and all, for two performances each. On Tuesday evening they gave the British premiere of Penderecki's *The Black Mask*, a lengthy one-act opera commissioned for the Salzburg Festival of 1986 and reviewed here at the time by Max Loppert. Before anything else, felicitations to Poznan for proposing a contemporary work and to the Brighton Festival for accepting it, warm congratulations to both for staging the complicated piece in the monstrous but (to be fair) surprisingly adaptable Dome with such professional competence.

Next, with all the reservations one may have about the opera, it provides a highly melodramatic if confusing evening of what may still, even in such bloated form, be called music theatre. Penderecki and Harry Kupfer based their libretto on a play, *Die schwarze Maske*, by Gerhard Hauptmann, one of two short dramas (1929) known collectively as *Spuk*. And a spook-drama this one most certainly is; not much more, surely than up-market *grand guignol* devised by a practised dramatist. The setting is Silesia after the Thirty Years War. Schuller, Burgomaster of Bolkenhain, has a beautiful but inaccessible and strangely troubled wife, Benigna. Guests assemble from far and near – Perl, a Jewish merchant from Amsterdam, a Prince-Abbot, a pastor, a local nobleman and his wife, an open-minded musician. Schuller's servan Jedidja is a Jansenist, his gardener a Huguenot. Penderecki has said that the multi-religious, tolerant aspect attracted him, but since little of the German text comes over, it can hardly impress the audience.

There are rumours of black plague and visitations by sinister masked figures. The cause of Benigna's fraughtness emerges in confessions by her that formerly in Amsterdam she had borne a child, Arabella, to a mulatto ex-slave called Johnson, who has intermittently blackmailed her and may have been involved in the death of her first husband (daughter Arabella lives with her, passed of as a niece). Benigna senses the presence of Johnson who duly appears, leaving black finger-marks on the white tablecloth. There also appear the Angel of Death and a masked dancer who circles ominously round Benigna. She dies, off-stage. Suicide, the plague, the hand of Johnson? All is left romantically mysterious as is the final shot when Schuller goes to her – has he shot himself, or Johnson? Penderecki's score heaps on the black atmosphere – loads of it. Organ, Lutheran chorales, the *Dies irae*, an oppressive carillon, dance music half-heard, swoops, shrieks and skitterings from the orchestra, masses of percussion. All applied with this composer's habitual ready skill but, with no sunken pit for the orchestra, fated to obscure the text. It doesn't finally amount to much more than a *Dracula*-type bath of horror.

The conductor Mieczyslaw Dondajewski and the efficient Poznan orchestra spared us none of the flesh-creeping titillations. The cast had the coherence that comes to a good repertory opera company without guest stars. Benigna was sung by Ewa Werka, a graceful if not very intense actress with a vibrant voice attractively coloured. The unsuspecting Burgomaster was soundly done by Josef Kolesinski. Two important members of the household, Jedidja the Jansenist and Rosa, Benigna's confidante, were ably taken by Aleksander Burandt and Urszula Jankwiak. No serious weaknesses. The production by Ryszard Peryt, in a big, two-tier interior set by Ewa Starowieyska, was straightforward and, except for too much confusing movement towards the end, effective.

Ronald Crichton

Gala Concert

A gala concert in aid of the Forest Peoples Fund will be given at the Barbican, London, on Friday June 8 at 7.45 p.m. The programme will include Haydn's *The Creation* and Vivaldi's *Four Seasons*.

Absurd Person Singular

WHITEHALL THEATRE

Conventional wisdom now attributes Alan Ayckbourn's bleak vision of humanity, characterised by increasingly black humour, to the later plays. But this revival of a 1972 success (London 1973), directed by the Master himself, reveals that the grimness at the heart of his boulevard comedy phase: the conviction that the bullies shall inherit the earth; the meek, the weak and the decent shall be driven to the wall; the spivs and wide-boys call the tune to which – quite literally, in a chilling final curtain – the rest of us mirthlessly jig in the entrepreneurial society's equivalent of the dance of death.

Not that the original production (by Eric Thompson) made the point with such a jangling discord or diabolically spotlit emphasis on the new puppetmaster as he orders his humiliated victims to "Dance! Dance!"

In fact Ayckbourn's direction seems a trifle heavier-handed all round, as exemplified by Moira Redmond's playing as the bank manager's wife with a drink problem. Where Sheila Hancock in the original purred, woozy and glazed-eyed, over the neat little kitchen of her hosts' hideous home, Miss Redmond wildly booms, ecstatic at smooth-running modernity. "Just open and shut that door and it's heaven!" She strikes a chord of genuine battiness, real theatre of the absurd, which manifests itself throughout the production in carefully underlined farce.

Much of it is blissfully funny. Ayckbourn's three-act vision of Christmases past, present and future, each set in a different kitchen, is no *Christmas Carol*. The first act finds the pushy Hopcrofts angling for social and financial advancement, lulling us into mocking them as hopeless oiks, she with her obsessive domesticity, he with his frantically ingratiating mixture of officiousness and vulgarity.

Act 2 moves to the next year's Christmas party with the architect and his wife (stripped pine, louvred cupboards, squalid cooker). The act is a masterpiece of sustained irony, as the hostess, who says nothing throughout, constantly attempts suicide – which the helpful guests misunderstand as housework or do-it-yourself; so that the end of the act finds the stage littered with the dazed, soaked and electrocuted, the not quite walking wounded from the domestic front, while the thwarted depressive cheers up and drunkenly bursts into a carol. If memory serves, the original was subtler, the would-be suicide singing on her own and not joined by the rest of the numbed company.

The last act rounds off Ayckbourn's selective state of the nation survey. As in that other fraught yuletide play, *Season's Greetings*, he might be looking at British society itself. The bank manager and his wife, now irredeemably alcoholic, shiver in their unheated grange (Victorian furniture, Aga stove). As cold as the weather, as cold as charity, comes the realisation that the play is even more apt after 18 years. How did the author predict the callous relish, the ruthless opportunism, of the Thatcherite *zeitgeist*?

Ayckbourn remains one of the few British playwrights to deal sympathetically with women; both Miss Redmond (excellent, incidentally, when playing an alcoholic straight and not just for laughs) and that trusted Ayckbournite Lavinia Bertram respond with wit. Richard Kane, pop-eyed and smirking with effortful ambition, shows Hopcroft's odiousness; and Jeff Shankley is actually more convincing than his predecessor as the architect - a complex version of Ayckbourn's customary male chauvinist, as disastrous in professional as private life. And Donald Douglas' bank manager strikes the right note of bland Ayckbournesque inhumanity, when appraising two wives as if they were cars. "They've given me a great deal of pleasure over the years but they've cost me a fortune in fixtures and fittings. A robust, unsubtle revival, but one that confirms a searing talent.

Martin Hoyle

Threepenny Opera

TRAMWAY THEATRE, GLASGOW

Perversely, the most famous number in Brecht and Weill's most famous work is missing from Scottish Opera's new, intimate-scale production. Or rather one hears "Mack the Knife" on a recording by Eartha Kitt while watching a close-up pair of lips on a television screen. They continue to move silently, to increasingly distracting effect, throughout the performance.

Simon Vincenzi's set, with its identical tip-up seats, mirrors the audience. At one point not only song but blinding light is directed at us. The director's notes, reproduced in the programme, about the media's dehumanising and isolating effects are not expanded, despite such hints of image-consciousness and R as the lipsticked (male) royal messenger bearing the reprieve with skirt, crown and handbag.

Producer Lucy Bailey allows us a Brechtian stage manager seated in full view with book and earphones who turns her hand to police and mob when they need a voice; but subsequent imaginative sparks of theatricality would be beyond the old cigar-chewer himself. That individual touches failed to add up and that the pace on Monday's first night was flagging by the end (one forgets how long and repetitive this work is) was partly due to the lacklustre Macheath of Graham Valentine, just recovering from indisposition. The cautious preoccupation with which he nursed his voice left him an uncharismatic, faintly worried figure – a shame, since his soft-shoe shuffle with hands and legs tied hinted at ease on stage in happier circumstances.

Otherwise the company of singers and actors mixed has a creditable crack at striking a balance between the two styles – operatic and cabaret – advocated for the work by rival camps. It's good to hear Polly's music sung with the lyrical clarity that Janis Kelly's soprano, in fine fresh form, brings to it. Her stage shrewdness makes a demure Glaswegian daughter for the Scots Peachum of Stewart Porter. His husky rasp is just right, as is his gap-toothed snarl, initially lit from below by David Lawrence with sinister impact. His wife is played by Beverley Klein: she cringes and leers wonderfully, makes the dialogue funny and sings well.

These are exemplified by John Ramm, another actor who can sing, as Tiger Brown His daughter was the perfectly splendid Morag MacLaren, first observed as a lolling whore eating a cucumber during the Ballad of Sexual Slavery. She makes a meal, likewise, of the furious jealousy aria dropped by Weill and here restored with new orchestration by the production's conductor, Stuart Hutchinson.

Sara Weymouth's Jenny is touchingly acted but her voice is too sweet for "Pirate Jenny". it Admittedly, Robert David MacDonald's translation is here not so much colloquial as chattily prolix; over-explanatory and lacking poetry – what happened to the time-honoured "ship with black sails"? "The ship, a great galleon" is no substitute. The thirteen-strong band under Mr Hutchinson (a dab hand also at the harmonium) got the mixture right – smoky lyricism, sardonic pungency. The stage side should cohere and get in focus on the road.

Martin Hoyle

Zuni Icosahedron

BLOOMSBURY THEATRE

The oriental mind never seemed more inscrutable than in the work of the Hong Kong theatre group Zuni Icosahedron which opened a brief London season on Tuesday. It proposed inanition as art, repetition as message, and a piece entitled *Deep Structure of Chinese Culture* as calling card. The result was as numbing a product of the Theatre of Tedium as one is likely to find during a cycle of Cathay. The performers were dressed alike in white shirts and olive trousers. Their strongest suit was standing still, or repeating with robot-like composure the same dismal little incidents of walking on and off stage and occasionally crawling or standing shoulder to shoulder, and raising arms to heaven in supplication, or sheer exhilaration at the madcap pace of their activities.

As the minutes wore on and glances at a watch revealed that, indeed, time was passing in the auditorium if not on stage, the pretensions of the entertainment to be either theatre or dance became increasingly unlikely. I have seen rocks more animated. Such miserable rewards as there were in the evening came from expert lighting which, through skilled use of gauzes, could make bodies appear and disappear. We were treated to a sound track of Chinese infants singing a fragrant quatrain telling us that "China is a big garden" – words I am not likely to forget since it was repeated some thirty times. One of the men appeared naked; my hero was the chap who bellowed a couple of times, at which various other members of the cast left the stage. He had the heart of the matter in him.

The message of this extinguishing event had purportedly to do with Hong Kong facing up to 1997. It had even more to do with the unsuitability of such shows for export, and I note that the British Council in Hong Kong is credited with helping to make this performance possible. When I left the theatre after 90 minutes, the stage had been empty for some time and a record of *Land of Hope and Glory* had also finished playing. Impossible to tell by any decline in the vivacity of the proceedings if the performance was over.

Clement Crisp

May 11-17

EXHIBITIONS

London

The Tate Gallery. The entire permanent collection has been rehung in a curatorial triumph.

The Royal Academy. Modern Masters from the Gelman Collection – a self-explanatory exhibition of masterpieces of the 20th century from Bonnard and early to late Picasso by way of Matisse, Modigliani and the rest. Until July 15.

Paris

Bagatelle Chateau and Trianon. Vienna 1815-1848: the Biedermeier period. Vienna's museums have lent some 250 pieces of furniture, porcelain, paintings and objets d'art for an exhibition of the style which expressed the Austrian capital's changed mood after the turmoil of Napoleonic wars – the Biedermeier style. Bois de Boulogne. Ends August 15 (45012010).

Galerie Odermatt-Cazeau. 19th and 20th Century Masters. A thread of excellence runs through the exhibition, which begins with the impressionists. Ends July 28 (42669258).

Petit Palais. James Ensor 1860-1949. A retrospective of 160 paintings, 130 drawings and etchings brings to mind Ensor's provocative boast of "I am mad, I am stupid, I am nasty." Closed Mon, ends July 22 (42651273).

Musée Carnavalet. Antique bronzes. Some 400 statuettes bring to life the Gallo-Roman world up to the 5th century. Closed Mon, ends July 1 (42722113).

Musée d'art Moderne de la Ville de Paris. Kees Van Dongen, 182 works retrace the career of the painter who, as one of the *Fauves*, enjoys provoking the public with daring juxtapositions of violent colours, charcoal contours and green shadows. 11, Ave President Wilson. Closed Mon, late closing Wed. Ends June 17 (47236127).

Grand Palais. Pre-Columbian art in Mexico (1500BC – AD1521). Some 130 exhibits from Mexico's archaeological museums bear witness to the high degree of artistic development of the ancient civilisations of the Mayas and Aztecs. Closed Tue, late closing Wed. Ends July 30 (42895410).

Brussels

Hotel Communal de Schaerbeek, Place Collignon – treasures of the commune. Works by Constantin Meunier, Jef Lambeaux and other Brussels artists of the 19th and 20th centuries, daily except holidays. Ends June 11.

Isy Brachot. Portrait of the Pace gallery of New York. Calder, Dubuffet, Picasso, Rothko and others. Ends June 23.

Musée d'Ixelles. 71 Rue Jean Van Volsem. La Poetique des Peintres Italiens a l'Aube du XXe Siècle. Closed Monday. Ends July 15.

Musée Wellington-Waterloo. *Inedits sur Waterloo* commemorates the 175th anniversary of the Battle of Waterloo. Daily, ends July 31.

Ghent

Museum voor Schone Kunsten. Flemish Expressionism in a European Context (1900-1930) with works by De Smet, Ernst, Permeke, Van den Berghe and Zadkine. Closed Monday, ends June 10.

Venice

Palazzo Grassi. Andy Warhol Retrospective. 250 works from the major exhibition organised by Kynaston McShine for the Moma in New York last spring, to which have been added about a dozen from private Italian collections. Until May 27.

Rome

Braccio di Carlo Magno in Piazza San Pietro: Michelangelo and the Sistine Chapel. This exhibition marks the end of a 10-year stint by Vatican restorers on the ceiling of the Sistine Chapel and the beginning of an estimated further four years' work on The Last Judgment. Ends July 10.

Palazzo Venezia. Art for Popes and Princes of the 17th and 18th centuries. Over 70 large and exuberant canvases from the country seats of Popes, Cardinals and the Roman aristocracy (Chigi, Barberini, Colonna, Pamphili etc.) in the area stretching south of Rome, once known as the *Campagna Romana*.

Galleria Nazionale d'Arte Moderna. Fabrizio Clerici retrospective: in a labyrinth designed by the artist and built in the gallery's workshops are hung a series of exquisite drawings and paintings. Ends Sept 16.

Munich

Kunsthalle der Hypo-Kultur-Stiftung, Theatinerstr. 15. Joan Miro. A collection of scurrilous sculptures and previously unpublished drawings by Miro will be on display in Munich's Kunsthalle until June 17.

Saarbrücken

Moderne Galerie. Growing on the Move. Retrospective of Paul Klee (1879-1940) in honour of the 50th anniversary of his death, with some 190 oil paintings, watercolours and drawings from all periods. One of the most comprehensive Klee exhibitions ever to be seen. Until May 27.

Vienna

Museum für Volkerkunde has a marvellously exotic exhibition called *Jemen*, focusing on the world around the Queen of Sheba. Ends June 10.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.

Museum of Modern Art. In its serious, thorough way the museum gives its version of the history of photography, showing off earlier image-developing techniques along with 275 photographs. Ends May 29.

Washington

National Gallery. A joint Soviet-American collaboration brings together Matisse's work in Morocco during his visit in 1912-13 including the famous Moroccan Triptych from the Pushkin Museum, never before exhibited in America. Ends June 3.

National Museum of African Art. The national tour of artistic and religious objects, much of it sculpture, encompasses nine centuries of Yoruba civilisation. Ends Aug 26.

National Museum of Women in the Arts. The first major retrospective of the work of Dame Elizabeth Frink includes 60 sculptures and 25 drawings. Ends July 4.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with documents, mementoes and personal effects of the Great Emancipator.

Chicago Historical Society. A special exhibition of Frank Lloyd Wright's designs for art-glass windows, furniture and silver. Ends June 17.

Tokyo

Tokyo National Museum. National Treasures of Japan. This is the first opportunity in 30 years to see as many as 200 of Japan's greatest works of art in one place. Closed Mondays.

National Museum of Western Art. Brueghel and Dutch Landscape. 58 paintings on loan from the National Gallery in Prague. Closed Mondays.

Idemitsu Museum. In Pursuit of the Dragon: Tradition and Transition in Ming Ceramics. Major examples drawn from the museum's own extensive collection. Ends May 20.

Shoto Museum, Shibuya. Post-war Japanese Art. Paintings and sculpture mainly by members of the Gutai Bijutsu Kyokai group, who tried to forge a distinctive Japanese avant garde style. Closed Mondays.

Meguro Art Museum, near Meguro station. The Kahnweiler Collection. Major works from the personal collection of the art critic and dealer who promoted the work of Picasso, Braque, Gris and other pioneers of Cubism. Closed Mondays.

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Europe for the people

THIS weekend EC foreign ministers meet to begin thrashing out a common definition of "European political union". Their objectives, as defined by Chancellor Kohl and President Mitterrand last month, should be "to strengthen the democratic legitimacy of the union, to make the institutions more efficient, to ensure united and coherent action in the economic, monetary and political fields, and to bring about a common foreign and security policy".

It is noticeable that this formulation does not refer to the EC as such but to the "union". Political union clearly means a structure going beyond the present EC and embracing the whole web of relationships between the Twelve. Such a structure already exists at the top, in the shape of the European Council, but below it there is an awkward bifurcation, with matters that fall within the Community's competence being dealt with by the Council of Ministers and the Commission, while those that do not are dealt with by the same ministers meeting as European Political Co-operation (EPC), assisted by national civil servants.

This arrangement is untidy and confusing, to the point where ministers themselves are not always sure in which capacity they are meeting. For dealings with what has become the most important area of common external policy – eastern Europe – it has already broken down. Three of the four objectives quoted above – efficiency, coherence and a common foreign policy – would be furthered if the distinction were now scrapped.

Alien entity

National governments do not like this suggestion because they regard EPC as their own, while seeing the Commission as an alien entity, outside their control. They argue that the Commission lacks both the quantity and quality of staff to carry out diplomatic functions outside the trade field. That is a weak argument. The Commission can and should be given the means to do its job, and that job should include implementing agreed policies towards the rest of the world.

Defining those policies should be one of the tasks of the Council, and in this area the Commission should be clearly subject to Council direction and supervision. Since the Council is composed of members of elected national governments, this would also contribute something to the fourth objective – the correction of the so-called "democratic deficit". It seems clear, however, that many people in the EC, and most importantly Chancellor Kohl, will not be satisfied unless there is also a significant increase in the powers of the European Parliament.

Reciprocal rights

Whatever the Parliament's claims, the Council is unlikely to relinquish its position as the EC's central legislative organ. But Parliament should be enabled and encouraged to exercise more effective scrutiny of the Commission, and to co-operate with national legislatures in holding the Council to account. A "senate" composed of delegates from national parliaments would be an awkward body, condemned to compete with the existing Parliament and to some extent duplicating the role of the Council itself. Better would be a resolution by both European and national parliaments to work with rather than against each other, for instance by giving each other reciprocal rights to non-voting attendance, and perhaps setting up some joint committees.

Any increase in the European Parliament's power is likely to accentuate the EC's centralising tendency. This should be balanced by a tighter application of the principle of "subsidiarity", which means that the higher level of government should be subsidiary to the lower level and not interfere in matters which the latter can deal with for itself. It is time to spell out the areas of policy belonging to each level, and this will mean clawing back to the member states some issues on which subsidiarity is not respected by existing EC legislation.

A degree of tension between member states and EC (or "union") institutions is unavoidable, and not unhealthy. It does not need to be presented as a grand ideological conflict between "federalism" and "nationalism". The thing to remember is that both entities exist to serve the interests of individual citizens, and not the other way round.

The strip mill saga

THE British Steel Corporation's decision to close the hot strip mill at Ravenscraig in Scotland brings near to an end a saga of political intervention from which the UK steel industry and its customers have suffered heavily over the past thirty years. Despite the political outcry in Scotland, the closure is a necessary step if British Steel is to maintain its drive for lower costs. It is also, in the long run, in the best interests of Scotland itself. Rather than attempting to preserve an ill-located steelworks as a totem of Scottish industrial virility, it would be far better to foster the development of other industries which have a chance of competing successfully from a Scottish base.

Ravenscraig is a symbol of the political and managerial obstacles which have hampered the modernisation of British industry throughout the post-war period. After 1945 it was obvious from the Anglo-American productivity studies that British steelmakers needed to concentrate output on fewer sites. Yet conservative owners preferred to expand their existing sites piecemeal. Then in the late 1950s came the notorious decision by the Tory Prime Minister, Mr Harold Macmillan, to split the new hot strip mill between two locations, Llanwern near Newport in South Wales and Ravenscraig near Glasgow in Scotland.

The reasons were blatantly political. It was, as Mr Duncan Burn, the leading historian of the industry, wrote in 1962, "a classic instance of bad planning. The decision led to the building of two major new plants when there was no near prospect of a market to use fully the capacity of one. The strip mill decisions reflected a strategy of development which ignored Britain's basic economic difficulties."

Turnaround

Fragmentation has plagued the industry ever since. The Japanese showed during the 1960s that for high-volume steel production very large coastal works were essential; ambitious investment plans, aimed at matching the Japanese in scale and efficiency, were drawn up in the UK in the early 1970s. Then came the first oil shock, a prolonged slump in steel demand and a decade in which most European steel industries – the UK was not unique – floundered amid heavy losses, social unrest in the steel-producing areas and misguided state intervention. It is only in the last few years that the British and French, in particular, have got to grips with their problems and achieved respectable levels of profitability and efficiency.

New competitors

Yet the pressures to reduce costs still further are inescapable. Quite apart from the recent fall in UK demand which has affected British Steel, import penetration in western Europe as a whole seems certain to increase; new producers like Brazil are exporting aggressively, while there has been a diversion of sales away from the stagnant markets of China and the Soviet Union.

The structure of production within British Steel, as it adjusts to fiercer competition, is not ideal – thanks to the decisions taken, or not taken, in the early post-war years. It has five large integrated sites, including Ravenscraig, when strict economics would probably call for only two. The two South Wales plants, at Port Talbot and Llanwern, will increasingly be operated as a single unit, while of the two works in the eastern part of the country, at Redcar on Tees-side and at Scunthorpe, the first looks the obvious candidate for further development.

Such is the scale of investment in these sites that there is no question of immediate rationalisation or closure. But the spread of production imposes a cost penalty on British Steel; the push for economies of scale is bound to continue. The Ravenscraig announcement is a reminder that legacies of past mistakes – by companies and by governments – persist and still have to be dealt with.

ECONOMIC VIEWPOINT

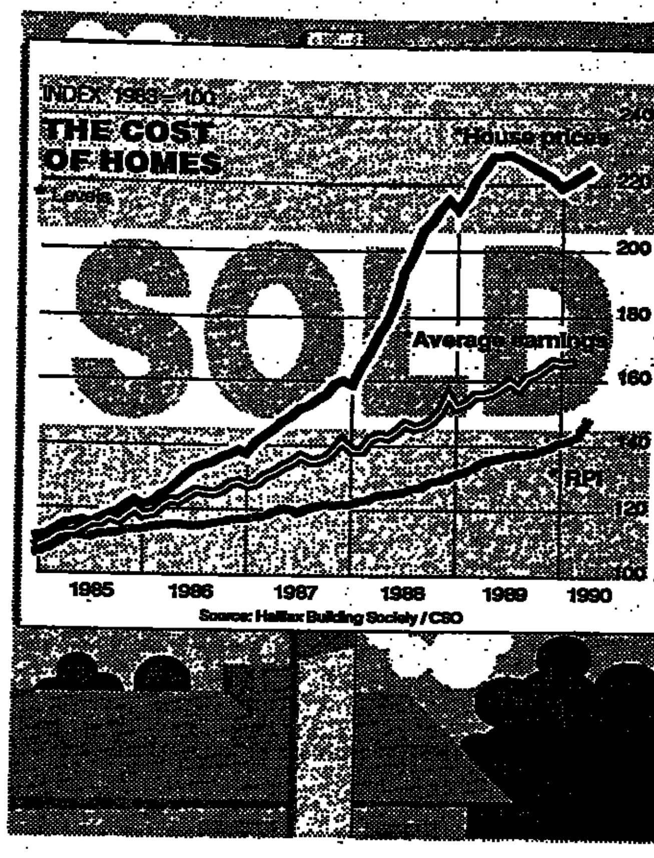
Consumer wants it now

By Samuel Brittan

The British consumer is not out; he is hardly even down. The volume of retail spending in the three months to April was 1 per cent higher than a year before. And to the extent that a quarterly comparison makes sense, it was rising at an annualised rate of 4 per cent compared with the three months ending in January. All this despite 15 per cent base rates and a headline inflation rate of 9.4 per cent.

Other indicators are more depressed. The commercial property market is in a bad state. Car sales have fallen quite sharply; and some companies have issued dismal profits warnings. But on balance government economists ought to be worried about there being too few signs of recession rather than too many.

Examine, for instance, the levelling off in house prices, which has been the jewel in the Government's disinflationary crown. The Halifax reports a fall in house price inflation to *minus* 0.2 per cent in the year to this April – the first such fall since the index started in 1983. But the most recent experience is less reassuring. For the index reached bottom in January and has been rising very slightly each month since then.



Nor are the indicators of final prices more hopeful. The index of output prices excludes the distortions of the poll tax and mortgage interest; and the Bank of England drew attention to it in advance of publication. Yet its upward creep has been accelerating from 3.9 per cent in 1987, to 4.5 per cent in 1988 and 5.1 per cent in 1989 to 5.6 per cent this March and 6.1 per cent this April. Even the use of the variant which excludes food, drink and tobacco – and thus most of the Excise duty increases – was running at 6.0 per cent.

If we are to understand events we need to go back to the more fundamental question: "Why is it, that after so many years of a Government which has given high priority to securing low or even zero inflation, that domestic spending still rises so quickly, bringing either inflation or payments deficits or both?" The issues are not just historical. For, even if the present economic slowdown brings some respite, these tendencies look likely to reassert themselves after the next election.

Even now, despite the Governor of the Bank of England's ("non-Delphic") Durham Speech, a satisfactory explanation has still to be given. A better clue is given by the precipitate decline in the personal savings ratio in the middle and late 1980s, together with the associated decline in the financial balance of the private sector to negative levels. These movements reflected of course heavily increased borrowing, above all for house purchase. As "money" consists mostly of the liabilities of the banks and building societies it is hardly surprising that both broad money and credit aggregates have grown rapidly.

Nevertheless the lending explosion was not caused, in any normal meaning of the word "cause", by monetary or fiscal policy. The budget deficit was on a falling trend throughout the 1980s and crossed over into surplus in 1987. Nor, over the period as a whole, were interest rates pushed lower for electoral, employment or any other reason. There was not a single year in the 1980s in which short-term interest rates (measured by interbank rate) averaged less than 9.7 per cent; and typically they were above 10 per cent – even when inflation was 4 or 5 per cent.

The lending explosion was not caused, in any normal meaning of the word "cause", by monetary or fiscal policy

One fundamental change, which did unleash the consumer, was the rapid rise in house prices. Offsetting the housing stock against associated debt, the net equity in housing accordingly may be around £750bn, or nearly 2¼ times annual disposable income. Mr John Muellbauer is almost bitter in an article in a forthcoming issue of *Economic Policy* (published by the Cambridge University Press) that the Treasury and Bank of England did not have house prices in their forecasting models, despite his warnings.

The legitimate reson for hesitation in explaining inflation in terms of house prices is that the latter are themselves some way along the chain of causation. The event which triggered off the lending boom was financial deregulation.

This was not just ideological and mostly had its origin in financial market minutiae which were studied by supervisors rather than economic policy pundits. The Bank of England was concerned that if it tried to sit on bank lending the running would be made by other types of financial institutions which it was less able to influence.

Clearly the peculiar structure of the British housing markets boosted the effects of deregulation. Three quarters of a century of rent controls had destroyed the private rented sector. Mortgage interest relief, capital gains tax exemption for owner occupiers, and the abolition of the last remaining domestic property tax – namely the rates – combined with rigid planning restrictions to create a vast potential market for home loans and a tendency for the money lent to be reflected too much in property values and not enough in bricks and mortar. But with the important exception of the switch from the rates to the poll tax, the underlying housing distortions have long been there. The spark which set the tinder box alight was financial deregulation. The error was the failure of almost everyone to foresee its consequences.

The personal lending spree had one bonus. For it stimulated an investment boom involving both the enlargement and the modernisation of business capacity. But when that boom was superimposed on rapidly rising consumer spending, inflationary pressures were unleashed and the balance of payments thrown into deficit.

Even with hindsight, we have had very little realistic advice on how policy should have reacted. Mr Muellbauer has some good suggestions for removing distortions which drive up unnecessarily housing and land prices. But they are good because they would improve the allocation of resources, increase mobility and therefore reduce unemployment. There is no assurance that any feasible version of them could have stopped, or would stop in future, a lending boom in the face of a determination by the personal sector to increase debt ratios above the levels to which they had been held down by controls.

My guess is that the lending boom, and the accompanying high double digit credit and broad money numbers, could only have been inhibited by base rates of at least 15 per cent, not just since last October, but since the middle 1980s.

Such a course would have been neither politically feasible nor economically desirable. It would have prevented the re-equipment of British industry and would incidentally have involved colossal exchange rate overshooting.

What was needed was a way of living with rapid credit expansion. Such an expansion can be expressed in a runaway inflation or a payments deficit. The former can scar a generation. The latter will come to an end when personal and business borrowers have run up their debt ratios to what they and their creditors regard as prudential levels, at which point the deficit becomes self-correcting.

A policy of tolerating a payments deficit has a built-in safety valve, if and only if it is bolstered by a policy of stabilising sterling against a non-inflationary currency or group of currencies. This has the practical effect of leaving it to the foreign exchange markets to decide the level of UK borrowing it will finance and on what terms. They can hardly make a worse job of it than politicians and officials, harassed by media hysteria, based on inaccurate and deceptive numbers.

An exchange rate constraint would have been the least bad option when it was vetoed by the Prime Minister in 1985-86 when the credit boom was really beginning. It will be much the best safeguard to have in place during the next economic upturn.

BOOK REVIEW

A politician first and last

LE PRESIDENT
by Franz-Olivier Giesbert
Seuil, FFr130

François Mitterrand is an enigma on the international scene. Everybody knows that he is one of the leading political figures in the modern history of western Europe; but it is not so easy to pin down the essence of his claim to fame.

No doubt Mitterrand's personal preference would be to be admired and remembered as an international statesman. But this new political biography by Franz-Olivier Giesbert implies that Mitterrand's essential nature, and therefore his main contribution, has been that of a consummate party politician: inventive, cynical, manipulative and evasive, but essentially improvisatory.

Giesbert is a star of serious French journalism. Three years ago, in the lead-up to the 1988 presidential election, he produced a riveting political portrait of Jacques Chirac, Mitterrand's leading right-wing challenger. It spread-eagled the leader of the Gaullist party on the slab, and exposed his fatal weakness: he does not believe in anything.

Two years ago, Giesbert stunned the twin worlds of politics and journalism by agreeing to migrate from his long-time home in the left-wing weekly news magazine Le Nouvel Observateur, of which he had become editor, to take on the editorship of the conservative daily Le Figaro, with the express mission of rescuing it from the discredited miasma of ultra-right-wing vindictiveness into which it had sunk, and restoring it to ordinary journalistic sanity.

If he has already succeeded in that task, it is of course a remarkable tribute to his own talents. But it is also a tribute to the transformation of the French political scene brought about by Mitterrand.

This is perhaps Giesbert's central judgement: Mitterrand has succeeded in modernising and pacifying France. Last year he mounted a spectacular but conciliatory ceremonial to mark the bicentenary of the French Revolution. Yet his main achievement has been to have smoothed out the age-old conflicts linked, one way or another, with the Revolution.

It would be hard to pretend that he planned the processes of political reconciliation in advance, or carried them through according to some grand strategy. He tried to pursue socialism-in-one-country with disastrous results; only when it failed did he revert to economic prudence, and thus bring about a precarious reconciliation between the socialists and market economics. He tried to win a final victory in the struggle between church and lay schools, but was forced to abandon the attempt by popular protest. In opposition he denounced the autocratic nature of the Fifth Republic constitution, but in office he has presided regally over the gradual pacification of old French quarrels.

These are substantial claims to fame: not many political leaders could boast of having changed the basic political dialectic of their country. But no doubt Mitterrand would wish to lay claim to a transformation of the received political dialectic across Europe.

Now it is entirely plausible to suppose that Mitterrand has contributed to such a transformation. When he came to power, the European Community was paralysed by the second oil shock and the morass of Euro-pessimism. Today, it is surging towards a new single market, and poised for an economic and political rebirth, on an even grander scale, despite the protests of Mrs Thatcher. And Mitterrand has done as much as anybody to bring about this transformation.

What Giesbert has written is a fascinating book about politics, but not really a book about policy. Naturally, the big political issues keep re-emerging with every domestic conflict, as with the current turbulence over anti-semitism and racism. There is no doubt that Mitterrand spends much of his time, in public and in private, on important international policy issues; and despite his many improvisations and shifts of policy, nobody seriously challenges the life-long consistency of his commitment to the European ideal.

But the burden of Giesbert's book is that what makes Mitterrand tick is the personal exercise of political power, the unending effort to manipulate, to dominate, to de-stabilise and if necessary to defeat, contenders on the political battlefield.

It is quite extraordinary to learn that Mitterrand should have stopped his car on the way to a seven-nation economic summit, merely for the protocol prestige of arriving last in the conference room; or that on the return flight from an international summit, he made Chirac's aircraft slow down, so that his own should land first. But it is even more extraordinary to learn so little about the French President's deep underlying purposes.

It is not until the final 20 pages that Giesbert seriously attempts any assessment of Mitterrand's international policy, when he launches a direct (and dismissive) comparison between Mitterrand and de Gaulle. Yet Giesbert's final verdict is not inconsiderable: Mitterrand stifled the residual conflicts left by the French Revolution, he suffocated the French Communist Party, and he built the Socialist Party into a significant political force with a proven capacity to govern. Those may be the achievements of a politician, but they are very substantial achievements for all that.

Ian Davidson

OBSERVER

Gorbachev's new plans

■ The Hoover Institute, the anti-communist think tank in California set up to counter the Russian Revolution, may be about to receive an unusual visitor: President Mikhail Gorbachev.

At the last minute, the Soviet leader has revealed that he wants to extend his visit to the US beyond the formal Washington summit with President Bush.

He would now like to stop over in Minnesota as well as San Francisco, where he intends to have breakfast with former President Ronald Reagan on June 4 and attend a two-hour tour of Stanford University.

The Hoover Institute on Stanford's campus is an obvious attraction. It contains the world's largest collection of material on the Russian revolution, including secret tsarist files and a police album with a photograph of Leon Trotsky, much of which was smuggled to the institute in the 1920s.

Set up in 1919 by Herbert Hoover, the future one-term President, it is pledged to "demonstrate the evils of the doctrines of Karl Marx – whether communism, socialism, economic materialism or atheism, thus to protect the American way of life from such ideologies, their conspiracies, and to reaffirm the validity of the American system."

More recently, it helped shape the conservative ideas and leaders of the Reagan era.

Gorbachev, however, may have something else in mind. Alexander Kerensky, another reform-minded Russian, spent the waning years of his life at the Hoover Institute from 1955-66.

Kerensky, head of the provisional Government the Bolsheviks toppled in November 1917, sifted through thousands of documents from the revolutionary period in an effort to understand where he had gone wrong.

If the Kerensky ghost still stalks the campus, there could be some comparing of notes.

Dear Speaker

■ The postbag of Bernard Weatherill, Speaker of the Commons, has trebled since proceedings of the House have been televised. The Speaker says in an interview with Central Television today that there has been great interest in the US, and quotes a correspondent claiming that parliament is as addictive as Dallas.

He also likens Prime Minister's question time to Wimbledon when the top seeds are on court and the "atmosphere is electric." He insists that the traditional shout is not disorderly. But he stresses that television must adapt to the Commons, and vice versa. He says he has no intention of emulating the Speaker of the Canadian House by facing the cameras and saying something aimed directly at viewers.

Back to Berlin

■ As East and West Germany negotiate their way to unity, the shadow of the Third Reich refuses to go away.

Theo Waigel, the West German Finance Minister, was surprised to be told that his talks on German monetary unity with Walter Romberg, his East German counterpart, in East Berlin this week had taken place in what was once the office of the Reichsmarschall, Hermann Göring.

The building now houses the East German Finance Ministry and a slew of other ministries. Until 1945 it was the Air Ministry, built in spectacular fashion in the late 1930s. It survived the bombing of Berlin without too much damage.

Our man in Berlin estimates that Göring's office, used by the East Germans for large functions, measures 30 m long, 17 m wide and 8 m high. The enormous proportions of the room were designed to intimidate Göring's visitors.

A stone's throw away is another reminder of the Nazi era – the huge Propaganda Ministry which was run by Joseph Goebbels. Although the war ruined the front of the building, miles of intact offices remained. These were used by the East German government press office and the National Front organisation. They have now been taken over by the democratic government's new Media Ministry. There is still office space left over from the Third Reich.

"Does this mean we've got to bomb Pan-Am?"

Moving house

■ Musical chairs – or rather musical houses – in Hong Kong. A Japanese businessman is moving into the expensive Peak-top home of William Purves, chairman of the Hongkong and Shanghai Bank. Purves is moving into the colonial-style home of Frank Frame, recently retired deputy chairman. And Frame is moving to London to draft the bans for possible nuptials with the Midland Bank.

It is all seen as symbolic when Japan is becoming Hong Kong's biggest foreign investor, overtaking the British and Americans, and when the Colony's traditional rulers (the head of the bank, the governor, and the chief steward of the Jockey Club in whatever order you like) are being usurped for influence by Zhou Nan, the hard line new de facto ambassador from Peking.

The Peak-top home was built for HK$30m in 1984 by the last chairman, Sir Michael Sandberg, in a style variously described as Hong Kong Spanish, Chinese, Hollywood, or just plain awful. It was sold this week for HK$85m to Kazuo Wada, who has hit the headlines recently by moving the headquarters of his Yaohan International retail chain from Japan to Hong Kong.

The 60-year old Frame remains a full-time bank director of Hongkong and Shanghai, specifically assigned to bring about the marriage of convenience with the Midland. It is the bank's version of the Colony's pre-1997 corporate migration in which leading companies, such as the Keswick family's Jardine Matheson and Sir Yue-Kong Pao's Lane Crawford stores, are establishing defensive havens abroad.

Pseudonym

■ The Irish Times tells the story of a minister going to Brussels for negotiations. At the end of a hard day, it is finally time for dinner. Another minister says to him "Bon appetit." The Irishman shakes his hand and replies "Jariath O'Leary." The same thing happens the second night. By the third night the Irishman has been advised by his officials of his error, so he takes the initiative and says "Bon appetit." Whereupon the other minister proffers his hand and responds "Jariath O'Leary."

Charles Leadbeater and James Buxton on the Ravenscraig closure

The ghost will not lie down

A Scottish symbol: end of an era for British Steel plant

It has taken 30 years. But in closing a central part of the Ravenscraig steel plant in Scotland, British Steel is reversing a decision which has weighed upon the UK industry since the 1960s.

In 1959 Harold MacMillan, the then prime minister, took the fateful decision to split a new hot strip rolling mill between Ravenscraig and Llanwern in South Wales.

It was part of an ill-fated strategy to broaden the Scottish economy by encouraging the return of the car industry which had died out in the 1920s.

For years the industry has complained that the division was uneconomic. The Ravenscraig mill drained the finances of its private owner Colville so much that it helped push the industry towards nationalisation.

British Steel hopes to exorcise a ghost which has haunted the industry since MacMillan's decision.

But Ravenscraig is not just a plant: it is a symbol.

Labour and the Scottish National Party try to outdo each other in their concern for Ravenscraig, and the Conservatives have not lagged far behind. In a country which has seen so much of its industrial past disappear in the past two decades, it is easy to understand that Ravenscraig, which throws a red glow in the night sky in the heart of the central belt between Glasgow and Edinburgh, seems to many Scots one part of the country's industry that can never be sacrificed.

Ravenscraig is not an ailing plant. After the investment of more than £400m during the 1970s it is relatively modern and efficient. Virtually all its steel is made with low cost continuous casting technology. It has pioneered the introduction of new technologies and British Steel admits its costs are not out of line with other plants.

So why close the mill now?

The 5 per cent decline in UK steel demand after the highs of 1988 and 1989 has exposed the plant's vulnerability to longer-term developments which threaten its competitiveness.

Ravenscraig's local market has shrunk with the closures in the Scottish coal, shipbuilding and engineering industries. Only 4 per cent of Ravenscraig steel goes to Scotland.

British Steel wants to expand in continental Europe where it has only 2 per cent of the market. Transport costs already work against the plant which is 30 miles from its nearest port. In future it would be 500 miles from its continental markets.

All European steel producers are attempting to widen their profit margins by making higher value-added products, such a specially coated steels, supplied just-in-time to car manufacturers. To do that plants need to be close to their customers. Ravenscraig, tied to 1960s investments in the car industry, is badly placed to take advantage of Japanese investment in the 1990s.

Most important, the European steel market is becoming increasingly competitive. With marginal oversupply remaining in Europe the ending of subsidies in 1988 means steel producers are starting to close higher cost capacity. The Italians are closing Bagnoli, Thyssen in West Germany has consolidated its four plate mills into a single plant and the French industry has been restructured through Usinor-Sacilor.

British Steel's position as the lowest cost producer in Europe is under threat. Mr Jonathan Aylen, a steel economist at Salford University estimates British Steel's costs are $410 per tonne, compared with $500 in the US and $520 in Japan. But the West Germans and the French, with costs of about $440 a tonne are catching up fast.

All-round steel producers are concentrating production to reap economies of scale. Thyssen, the largest West German producer, has just one plant producing 10m tonnes a year. British Steel has five integrated plants, with the largest at Redcar producing about 4m tonnes.

British Steel will have to fight to keep a grip on its domestic market, where imports have risen by 64 per cent in the past six years to 3.6m tonnes in 1989. UK based producers still account for about 75 per cent of steel consumption. If their share conforms to trends in continental markets it would almost halve. The company also needs to get its UK house in good order to expand overseas.

By reconfiguring its capacity British Steel should substantially lower its costs. By 1993 both Port Talbot and Llanwern will have continuous casting machines, which are £20 per tonne cheaper than traditional technologies.

The investment will remove a bottleneck which has kept South Wales furnaces and strip mills working below capacity. The UK's second-largest blast furnace at Llanwern will come on stream after being in reserve for several years.

Redundancies will cost British Steel £30m over the next year. But the long run savings could be £80m to £100m a year.

The announcement will not be the end of the Ravenscraig story. Scunthorpe is widely judged to be the most likely location for the new plate mill due to be announced soon, throwing in doubt the future of the Dalzell mill which is one of Ravenscraig's main outlets.

Ravenscraig will supply the South Wales plants with steel slabs until 1993. Thereafter it will be left to compete in the open market. Few would bet on its future.

The announcement will reverberate through Scottish politics. The Conservative Party which is lagging well behind in the polls may have wanted it delayed till after the next election. Mr Gordon Brown, Labour's industry spokesman who is a Scot is probably glad is has come before, relieving an incoming Labour government of a painful decision in the first months in power.

Although Mr Malcolm Rifkind, the Scottish Secretary, has attempted to persuade Scots that Ravenscraig is only one of several large industrial sites, he has had to show it special attention. Last Christmas when the plant shut for an extra long break, he was quick to give a sympathetic hearing to the plant's trade unionists and write urgently to Sir Robert Scholey.

Privately, civil servants argue the main reason for keeping the plant going is the damage that closure would cause to the rest of the economy.

Arthur Young, the consultancy, calculated that the closure of Ravenscraig would mean the loss of between 11,000 and 12,000 jobs in Lanarkshire where male unemployment is still 16.7 per cent. Its closure would cause serious harm to Scottish Power and British Rail which are leading suppliers to the plant. There are even fears that if Ravenscraig closed the loss of port traffic to the Clyde Port Authority that it would end dregding the river Clyde, with dire consequences for Glasgow.

British Steel tried to close the mill in the mid-1980s but was beaten back by political pressure. The closure of the strip mill would probably mark the end of a 30-year year era in which politics was as much an ingredient in the industry as iron ore. It will be a test case of whether privatisation and the end of subsidies has really depoliticised the industry.

US environmental policy

Fresh look at the Clean Air Act

By Warren Brookes

President George Bush has been harshly criticised for failing to support the emerging free market democracies of eastern Europe, and being only a bystander at the birth of Warsaw bloc capitalism.

This criticism is wrong. His Administration's environmental policies will do more to drive American capital into Europe than any amount of direct aid; and the "command and control" approach (and inefficiency) of those policies suggests Mr Bush has missed the whole point of the 1989 overthrow of statism – and for that matter the whole point of the Reagan years.

On April 3, even as Mr Bush's jury-rigged savings and loan bailout programme was foundering in an expanding ocean of red ink, the US Senate voted 89-11 to approve another ill-conceived Bush policy adventure, the 1990 Amendments to the Clean Air Act. Three days later the House Energy and Commerce Committee approved a bill that on balance will probably cost $45bn for direct compliance expense, not counting the impact on the macro-economy.

The US already spends an estimated $85bn a year on pollution control, compared with less than $43bn in the EC. The passage of this bill will raise US pollution control costs to about 2.3 per cent of GNP, compared with less than 0.8 per cent for western Europe.

White House enthusiasm was muted by the recognition that the compromise it had negotiated with Senate Majority Leader Mr George Mitchell was now between 50 per cent and 100 per cent more costly than the President's "veto-line" of $21bn.

President Bush's economic adviser, Dr Michael Boskin, has admitted that "we have a lot of work to do in the House of Representatives to bring this bill back to the President's parameters."

Yet the cost overrun is pocket change compared with the potential costs of the new life-and-death "industrial policy" authority over economic activity granted to the Environmental Protection Agency (EPA).

Ironically, on the same day the Senate voted for the Bill, the Congressional Joint Economic Committee issued its annual report, admitting that "although the US continues to be the leading global economic power, events in the past decade have led some to question our ability to maintain that leadership."

Mr Bush's willingness to risk that position, and his Administration's economic performance, illustrates not only the immense power of the $400m "green lobby" in Washington, but his own preoccupation with poll-pandering over policy substance.

A study of the costs of US environmental regulation by economists Mr Dale Jorgenson of Harvard University and Mr Peter Wilcoxen of the University of Melbourne shows that "pollution abatement has emerged as a major claimant on the resources of the US economy. The cost of environmental regulation is a long-run reduction of 2.59 per cent in the level of the US gross national product."

On April 3, even as Mr Bush's jury-rigged savings and loan bailout programme was foundering in an expanding ocean of red ink, the US Senate approved another ill-conceived Bush policy adventure, the 1990 Amendments to the Clean Air Act

The costs involved might still be worthwhile if both the health and ecological benefits were as significant as the first couple of US Clean Air laws of 1970 and 1977. Those did produce significant improvements in ambient air quality: they cut sulphur dioxide by 44 per cent, carbon monoxide by 41 per cent, surface ozone by 9 per cent, lead by 93 per cent and total suspended particulates by more than 18 per cent.

But the US has already reached the law of diminishing returns from the command-and-control strategies it used effectively in the 1970s.

For example, it was relatively cost-effective to cut the first 96 per cent of exhaust emissions from cars at less than $600 a tonne. Squeezing out the last 4 per cent on new models will cost 20 times that much.

Indeed, adding $600 to the cost of each new car could actually slow the phase-out of the 45 per cent of dirtier pre-1983 model cars now accounting for 85 per cent of the emissions.

Speeding up fleet turnover through enhanced inspection, and fees on polluting cars, could cut emissions for less than $4,000 a tonne. That compares with more than $13,000 a tonne for the new exhaust standards and $40,000 a tonne for mandating alternative alcohol fuels.

Add to that the growing uncertainty about the actual relationship between the incidence of surface ozone and car emissions. The city of Atlanta spent more than $700m between 1979 and 1985 to cut total volatile organic compound (VOC) emissions 50 per cent. Yet the city's ozone levels actually rose further out of compliance. Fair analysis of excessive amounts of ozone in the atmosphere shows they correlate almost entirely with weather patterns.

The same uncertain benefits accrue to the acid rain programme, which calls for cutting US sulphur dioxide (SO2) emissions in 1999 by 10m tonnes a year from their current level of 22m tonnes. The cost of this reduction is $5bn-7bn a year.

That would be small enough if the benefits were as advertised; but a 10-year, $600m study by more than 700 scientists commissioned by Congress shows "no evidence of widespread forest damage from current levels of acidic rains in the US," and that acid rain "is not responsible for regional crop yield reduction."

Instead of the aquatic silent spring predicted by the EPA in 1980, it found "acidic lakes were a relatively small percentage (2.1%) of the National Surface Water Survey," and the relative acidity of those lakes today is about the same as it was in pre-industrial times.

The study's director, Dr James Mahoney, admitted to the Senate Environment Committee last October: "If there were no change in acid deposition from current levels, we would expect that in the northeast the chemical status of the lakes would stay approximately the same over the next 50 years."

In any case, Mr Bush could have cut SO2 emissions by 10m tonnes in 20 years (instead of 10) for no cost (instead of $150bn) simply by tightening the new-plant SO2 standards. That would also have saved the environment: his 10-year crash programme enforces limestone scrubbing in 103 old plants, which will generate 30m tonnes a year of new sludge at a removal cost of $80 a tonne. It also adds a tonne of carbon dioxide to the air for every SO2 tonne removed.

Small wonder that proponents of this legislation abandoned environmental arguments, and appealed to irrational health concerns to justify it.

Two days before passage, Mr William Reilly, the EPA Administrator, said the bill could save "50,000 premature deaths" a year. Yet a March 1988 EPA analysis said: "None of the laboratory data available support the notion that steady long-term exposure to acid sulphates at [current levels] . . . produce any measureable health effects."

Similar EPA analyses exist for surface ozone. Mr Michael Gough, formerly of the Congressional Office of Technology Assessment and now director of the Center for Risk Management of Resources for the Future, a respected Washington environmental think-tank, said: "The most cancer deaths we can save from all US pollution controls is between 1,200 and 6,400 – and that's using risk models that exaggerate by a factor of 10."

The apparently disproportionate costs involved clearly worry Mr Bush's own Budget Director, Mr Richard Darman: "I am very concerned about the tendency of the regulatory process and science to push more and more resources to ever diminishing levels of risk." Ironically it could create ever-rising levels of political risk for his own President.

The author is a syndicated columnist in the US

LETTERS

Building confidence and stability in South Africa

From Mr N.J.R.J. Mitchell.

Sir, Your editorial comment ("The role of sanctions," May 16) gives a reasonable analysis of the very exciting progress towards non-racial democracy in South Africa. You then line up with the faint-hearted who say lift sanctions but not just yet.

The key point is that the process of change in South Africa is now irreversible. The detail of the outcome requires painstaking negotiation by South Africans. Meanwhile the most serious problem for South and southern Africa is to address the huge and growing social and economic problems. The next South African Government needs to inherit an economy which can grow fast enough to give hope of reasonable education, housing and healthcare and to provide jobs for a rapidly expanding population.

It does not make sense to try to maintain pressure for sanctions as a bargaining card of minor significance when the urgent need is to create the confidence and stability which can attract investment and regenerate growth.

The sanctions issue is now brain dead, let us disconnect the life support machine. The only losers will be those employed in the international anti-apartheid industry.

N.J.R.J. Mitchell,
British Industry Committee on South Africa,
45 Great Peter Street, SW1

Removing artificial barriers in the accountancy profession

From Mr R.M.M. Paine.

Sir, As the Business Community will know, especially from reading your Accountancy Column ("European developments show need for united front," May 10), there is a move to join together the Chartered Institute of Public Finance and Accountancy (Cipfa) and the Institute of Chartered Accountants of England and Wales (ICAEW).

Voting is to take place this summer amid a certain amount of controversy.

I have held Cipfa qualification for almost 25 years. During this time I have had business experience in senior positions in both private and nationalised industries and am now about to move, due to privatisation, to the private sector again.

I have met and worked successfully with many accountants from various institutes including ICAEW, Cipfa etc. I would emphasise that my Cipfa training has stood me in good stead and has been relevant to my work in all types of organisations.

I welcome the integration of the accountancy profession and as an individual – my views are my own and not necessarily those of my employer – I feel strongly that the accountancy and finance staff in the privatised industries should be as close as possible and should not be divided by any artificial barriers due to the historical accident of how they qualified.

The best strategy for the future of the accountancy profession is to join together. Given the will, we can overcome any temporary problems of adjustment that may be necessary for both sides.

So I urge members of both Cipfa and ICAEW to vote for the merger, especially those in privatised industries, and to work together to make it a success.

R.M.M. Paine,
Director,
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800 Park Avenue,
Aztec West,
Almondsbury, Bristol

Shortcomings of US students

From Mr Mark H. Lazerson.

Sir, Michael Prowse's critique of the failings of the US educational system ("The not so Great Society," April 20) is most accurate. Indeed, he could have extended it to the universities.

As a professor at a mid-rank state university, I find that many of my students cannot write a single grammatical sentence. They do little better in understanding any complex reading or lecture material.

Since university professors are ill-equipped to teach remedial skills, multiple-choice tests are increasingly substituted for written examinations and papers. Even these tests are set at a low level to respond to the enormous institutional pressures on professors to pass students. The result is that poorly qualified students easily receive university diplomas, and the numbers of "university-educated" Americans continue to expand.

The reality, however, is that Europeans who have graduated from the equivalent of a gymnasium or a lycée are better intellectually trained than most US university graduates.

Mark H. Lazerson,
Department of Sociology,
State University of New York,
Stony Brook, New York

Avoiding vexation over fax

From Mr L.S. Nuttall.

Sir, Mr Rimmington's faxing problem (Letters, May 11) of dialling a fax number instead of a telephone number can easily be solved.

Group the fax numbers in twos, for example the Financial Times fax number is 07 14 07 57 00. When seen at the top of a printed letterhead, the grouping is sufficient to make one realise it is not a telephone number!

If all businesses followed this procedure – a modest campaign is all that is needed – the problem would soon disappear.

L.S. Nuttall,
5 Greenside Drive,
Hale, Cheshire

Why caution is advisable in claiming Adam Smith's approval

From Mr Henry Law.

Sir, When Adam Smith advocated proportionality between tax payments and ability to pay, he was not arguing in favour of taxes based on income. His precise words on the subject were:

"The subjects of every state ought to contribute towards the support of the government, as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state."

In The Wealth of Nations, Smith then goes on to examine various forms of taxes – on the rent, on profits, on commodities, on the wages of labour, capitation taxes, and so on.

It is clear from his comments that he considered taxes upon ground rents as being most in accordance with this principle, since he noted:

"Ground rents are altogether owing to the good government of the sovereign, which, by protecting the industry either of the whole people, or of the inhabitants of some particular place, enables them to pay so much more than its real value for the ground which they build their houses upon. Nothing can be more reasonable than that a tax which owes its existence to the good government of the state should be taxed peculiarly, or should contribute something more than the greater parts of other funds, towards the support of the government."

Advocates of income tax should certainly not regard Adam Smith as giving sanction for their views. He described taxes on wages as "absurd and destructive," and noted that they would lead to a rise in the price of labour, since:

"Though the labourer might pay the tax directly out of his hand the tax would in reality be advanced by the person who immediately employed him. If direct taxes upon the wages of labour have not always occasioned a proportional rise in those wages, it is because they have generally occasioned a considerable fall in the demand for wages. The declension of industry, the decrease in employment for the poor, the diminution of the annual produce of the land and labour of the country, have generally been the effects of such taxes."

Finally, supporters of the community charge should beware of quoting Adam Smith.

Of what he called "Capitation Taxes", he commented:

"The greatest sum which they have ever afforded might always have been found in some other way much more convenient to the people.

Henry Law,
19 Queen's Gardens,
Brighton, Sussex

FINANCIAL TIMES
Thursday May 17 1990

GOVERNMENT AND OPPOSITION UNITED ON RAVENSCRAIG

British Steel's plan to close strip mill starts a political battle in Scotland

By Charles Leadbeater, Ralph Atkins and James Buxton

BRITISH STEEL yesterday unleashed a ferocious battle with the UK Government and Opposition parties in Scotland about the future of steel making at Ravenscraig, near Glasgow, by announcing it would close the plant's strip mill with the loss of 770 jobs.

The decision, which many believe throws in doubt the future of the whole complex, was deplored by Mr Malcolm Rifkind, the Scottish Secretary, as well as Labour, the Scottish National Party and Scottish trade unions.

With the Conservatives lagging well behind Labour in the polls in Scotland, Mr Rifkind is under intense political pressure to oppose the closure. He called on Scotland to speak with a single voice in opposing the decision and proposing alternatives.

In the wake of the poll tax controversy, Labour and Scottish Nationalists called on Mr Rifkind to resign if he could not reverse the decision.

Mr Jeremy Bray, Labour MP for Motherwell and Wishaw, said the closure would deal a severe blow to the community, which he said was not benefiting from new investment.

British Steel said the decision was final and ruled out selling the mill.

At stake is not only the future of the Scottish steel industry but also the freedom of a privatised company. The dispute will be widely seen as a test case of whether the privatisation of British Steel in December 1988 has really freed it from political interference.

Sir Rober Scholey, the company's chairman, said that following privatisation his first responsibility was to British Steel shareholders. He said: "It is my understanding that when we were privatised this was very much the idea of the Government. I would have thought the Government were very keen to encourage us to continue being as efficient as possible."

Ravenscraig has been politically controversial since it was sponsored by the Conservative Government in 1959. Since then repeated attempts to close it by concentrating production in South Wales have been defeated by cross-party opposition in Scotland.

British Steel plans to close the mill in the first half of next year as new capacity comes on stream at its South Wales plants at Llanwern and Port Talbot.

Ravenscraig's blast furnace will supply the South Wales plants with steel slabs until late 1993. But the company said the investments at South Wales would in due course affect steel production at Ravenscraig and that production of steel at the works beyond 1994 will be dependent upon the then economic and commercial scene.

British Steel in 1987 gave a seven year guarantee of the future of the complex as a whole which employs 3,000. A similar guarantee for the strip mill expired last year.

Mr Rifkind, in an uncharacteristically interventionist statement from the Government, told the Commons he "deplored this decision and its implications for the workforce." He said the company had long enough to reconsider the decision and regard the mill as an asset rather than a liability.

Labour accused Mr Rifkind of incompetence in failing to consult with Sir Robert Scholey, British Steel's chairman since October when fears over Ravenscraig resurfaced.

Mr Donald Dewar, opposition Scottish spokesman, said: "A major battle was being fought affecting vital Scottish interests and Malcolm Rifkind was not even on the field." He described the announcement as a "betrayal which cannot be justified."

Earlier Mr Dewar and Mr Gordon Brown, Labour's trade spokesman, met Sir Robert and Mr Martin Llowarch, British Steel's chief executive, to press for new investment in the Scottish steel industry.

Western ministers strengthen environment measures

By David Thomas in Bergen

WESTERN countries yesterday strengthened their commitments to stabilise emissions of carbon dioxide, the main gas said to be responsible for the "greenhouse" effect, and agreed to bring the Third World into international environmental negotiations.

But the final ministerial communiqué of the two-week Bergen environmental conference was agreed only after last-minute negotiations.

It was attacked by environmental groups as too vague. "This is more than a failure, it's a setback," said Mr Tom Burke, secretary-general of the Green organisations at Bergen.

Most of the 34 countries at the conference agreed they would stabilise carbon dioxide emissions at present levels by the year 2000 – a more specific commitment than has been adopted previously.

However, a small number, including the US, the Soviet Union and the UK, were unable to agree, arguing that global warming targets should be settled at a UN-sponsored gathering on climate change in Geneva in November.

The US also succeeded in watering down commitments to channel extra funds to developing countries, to help them tackle emissions of substances causing global environmental problems.

The US regarded the original draft as too open-ended and wanted funds for the Third World to come out of existing World Bank budgets.

The final communiqué says: "It will be necessary to identify new ways and means of providing such resources to developing countries." It also calls on countries participating in next month's conference on the ozone layer in London to strengthen the existing agreement, known as the Montreal Protocol, "including, for example, through additional resources and technology transfer."

Mr Tom Vraalsen, the conference's Norwegian president, said the communiqué implied that additional resources would be made available to developing countries.

Mr David Trippier, UK Environment Minister, agreed, adding that the danger of some developing countries, such as India, boycotting the London ozone layer conference had been avoided.

Nevertheless, all countries agreed to "establish national strategies and/or targets" for carbon dioxide controls following the Geneva conference.

UK commitment, Page 3

THE LEX COLUMN

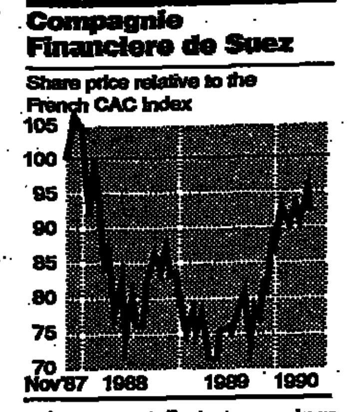
The Suez route to power

Capitalism, Franco-Belgian style, has a flair which complacent Anglo-Saxon commentators ignore at their peril. Not that the results, for Compagnie Financiere de Suez, are easy to interpret, given its two huge takeovers since June 1988. Yesterday's annual figures also show it still four percentage points short of the 15 per cent after-tax return on equity it set itself as a goal when privatised in 1987. Of its FFr8.3bn of pre-tax profits, some FFr1.2bn were from exceptionals, like the sale of its stake in Morgan Grenfell; and with French consumer lending slackening off, and European non-life insurance markets looking sick, 1990 may not be a bumper year.

But it is clever of Suez that after winning the battles for Générale de Belgique (SGB), and then Victoire/Colonia insurance, it has a mere FFr13bn of debt at group level. That figure should fall to zero within weeks, as Suez rakes in the cash from selling minority stakes in Victoire/Colonia to other insurers. So the relative smoothness of Suez's empire-building looks like a tribute to the Gallic system of financing takeovers by mobilising friendly allies.

If there is a question mark, it hangs not over SGB, where there have been impressive margin gains in non-ferrous metals especially. The issue is whether the management-by-committee of Colonia/Victoire, and its other German insurance off-shoot Nordstern, will work. But Suez's share price of FFr466 is not demanding against a conservative net asset value of FFr550.

Compagnie Financiere de Suez
Share price relative to the French CAC index



GrandMet

It is easy to pick holes in the profit performance of Grand Metropolitan. Property profits have more than doubled in the first half, the £19m profit on the sale of Satellite Informations Systems has been taken above the line, and exchange rate movements have flattered the figures. Nevertheless, the group's trading profits, before interest and exceptional items, are up by a third, gearing has been halved, and there is no longer any fear that the Pillsbury acquisition is going to bust the company.

Given the huge provisions that GrandMet has made, it is going to be some time before investors will be able to judge whether the $5.8bn Pillsbury acquisition is going to come close to rivalling the success of the $1.2bn Heublein takeover in 1987. However, the deal is going to contribute to earnings this year and so far GrandMet's management seems to be grappling reasonably well with the problems of turning round an ailing US food conglomerate. Meanwhile, the international drinks business is powering ahead with a 16 per cent rise in trading profits on the back of 6 per cent volume growth. Not surprisingly, the real soft spots are back in the UK, where the group's traditional brewing and pub operations are suffering from a heavy exposure in the South East.

However, roughly half GrandMet's sales and profits now come from the US, so the UK problems are nowhere near as serious for the group as they might have been three years ago. The MMC reference of the brewery/pub swap with Elders was a blow. But if it were to precipitate a less complicated solution, then it might even help change GrandMet's image, as a hyperactive corporate wheeler dealer. It might be ill-founded, but it is the main reason why its shares continue to sell at less than 10 times earnings.

Molins/Leucadia

It was inevitable that the introduction of SSAP24 – the accounting standard for pension fund surpluses – would become an issue in takeover bids. Molins, the cigarette machinery manufacturer which has already defeated two hostile offers from Sir Ron Brierley, has a pension surplus of more than £58m, over 70 per cent of its market capitalisation. SSAP24 requires the surplus to be amortised, which Molins is doing to the tune of £2.9m a year. However Leucadia, the US bidder, claims that this surplus is not "real" earnings and should not be used for the purpose of calculating the exit multiple on its 275p per share bid. That makes the p/e 12.3, on Leucadia's assumptions, compared with 8.5 on Molins' reported accounts.

The surplus obviously has a real value to shareholders and Molins can hardly be criticised for following standard accounting practice in recognising it. Indeed, together with the potential patent income from the group's flexible manufacturing systems, the surplus may have prompted Leucadia's interest in the first place. But even if Molins survives through the loyalty of key institutional shareholders, the odds are that Leucadia will restart the merry-go-round by passing its 40 per cent stake to another predator.

Commercial Union

Other UK insurers should study page 46 of Commercial Union's last annual report, revealing some wheeler-dealing in financial futures. By hedging part of its UK share portfolio in 1989, CU immunized itself against some of this year's equity market fall. Even so, CU's investment portfolio lost £104m in value in the three months to March 31. But the futures deals were worth doing, since they kept CU's solvency margin above 60 per cent.

Similarly astute was CU's reinsurance buying, which contained yesterday's first-quarter pre-tax loss at £26m, inspite of huge UK windstorm claims and the industry's continuing down-cycle. The reinsurance and futures deals are evidence of the shrewdness of CU's present management, who have brought the company back from the dead. Pity they mistimed their buying last year of a small stake in Tokio Marine and Fire. The Japanese equity market fall has left them with a £5m paper loss so far, on a £25m investment.

Art auctions

The sight of another Japanese corporation paying a breathtaking price for a Van Gogh in New York on Tuesday evening is another tiny signal to the authorities that asset price inflation is far from dead. Since 1987, Sotheby's art index of Impressionists has risen by 155 per cent, or three times as much as the stock markets of Tokyo and New York. One can only wonder what ICI's shareholders would have said if its managers had put in a similar bid. It would have been a far healthier sign if the Japanese company had given the money back to its shareholders.

Japanese to investigate trading of bank shares

By Stefan Wagstyl in Tokyo

THE Tokyo Stock Exchange started an investigation yesterday into the trading of shares of the Long Term Credit Bank, one of Japan's top banks, to check for possible infringements of insider trading laws.

The decision follows a sudden jump in the bank's share price before an announcement of plans for a 10-for-one stock split. Bonus issues in Japan are well known for prompting price surges as investors try to profit from hopes that a rise in shares in circulation will increase investment interest.

The Long-Term Credit Bank is one of the most important companies to have its share-trading investigated since the Securities and Exchange Law was toughened last April after growing international criticism of the alleged incidence of insider trading in Japan.

The focus of the stock exchange's attention is a Y2,000 ($13.07) leap in the price of LTCB stock to Y21,500 on Tuesday, as trading in the shares swelled to four times the normal level amid rumours that the bank was planning a bonus issue. Yesterday morning the exchange suspended trading after receiving notice from the bank that the stock-split would be announced later in the day. The announcement was made in the afternoon. Trading was due to have resumed today.

The bank denied there had been any insider trading or any leaks of information from the bank.

The bank said none of its officials had been questioned by either the stock exchange or the Ministry of Finance. The exchange said it had no evidence that insider trading had occurred. It was analysing share price movements.

In common with other large financial companies, LTCB last year introduced tough internal codes to combat insider trading.

The authorities have investigated dozens of cases of unusual share price movements since the law was revised but have so far produced no prosecutions. The police have been involved in only one case – that of an unnamed man who allegedly used inside information to buy shares in Nisshin Steamship, a shipping and leisure company whose stock jumped last June.

Lithuania in new bid to draw Moscow into negotiations

By Quentin Peel in Moscow and Christopher Bobinski in Riga

LITHUANIA is reportedly sending its prime minister to Moscow today in the hope of putting new concessions to President Mikhail Gorbachev in the dispute over the republic's bid for independence from the Soviet Union.

The concessions would include possible suspension of all laws which the Lithuanian parliament has passed backing up its declaration of independence in March.

The new step by the rebellious republic may well embarrass Mr Gorbachev because it comes at a highly sensitive time. Mrs Kazimiera Prunskiene would be flying to Moscow just as Mr James Baker, the visiting US secretary of state, is in the midst of talks there about the US-Soviet summit meeting later this month.

Her visit would thus increase the chances of the summit between Mr Gorbachev and President George Bush being overshadowed by Moscow's tortuous dispute with Lithuania and its Baltic allies, Latvia and Estonia.

The latest Lithuanian move was made public by a Lithuanian deputy to Reuter's newsagency last night. The deputy, Mr Aloyzas Sakalas, said the republic's parliament in Vilnius had voted to offer new concessions, though not a retraction of its independence declaration.

He also stressed that the Lithuanian parliament was offering to suspend its other legislation but was not yet declaring a suspension: the concessions were conditional on Moscow agreeing to talks on independence. He said Lithuania would consider declaring a transitional period to independence, following the example of Estonia and Latvia, both of which however have brought Mr Gorbachev's wrath down on them.

The Lithuanian move will put into effect the joint proposal of Mr François Mitterrand, the French President, and Chancellor Helmut Kohl of West Germany, already tentatively accepted by Mr Vytautas Landsbergis, the Lithuanian president, but so far ignored by Moscow.

The latest statistics from Lithuania say that almost 30,000 people have been laid off, or sent on unpaid leave, as the Soviet Union's energy embargo starts to bite in the republic.

Meanwhile, Mr Edgar Savisaar, Prime Minister of Estonia, also sought to exploit Mr Baker's talks with Mr Eduard Shevardnadze, the Soviet Foreign Minister, and the preparations for the May 30 Soviet-US summit, appealing for US assistance after what he described as an "attempted coup" by anti-independence forces.

In Latvia, a senior member of the republic's government said yesterday talks which had been planned to take place with Soviet officials on Monday will now go ahead next week.

The talks between Latvian leaders and a special group of Soviet deputies and officials were called off after President Gorbachev decreed that Latvia's and Estonia's declarations of restored independence were invalid.

However, Mr Ilmars Bisars, a Latvian deputy premier and a member of the Soviet parliament said at a press conference: "One of the president's closest colleagues has told me that the talks have been postponed for a week."

Yesterday, the Latvian parliament was due to pass a motion rejecting Mr Gorbachev's decree and arguing that the republic's incorporation into the Soviet Union in 1940 had been illegal. It also said that the republic's newly-elected parliament was fully empowered to restore the country's independence.

Mr Bisars also spoke of a possible compromise proposal in the republic's bid for independence.

The plan, mooted by Latvian independence leaders before the recent elections, would in return for Moscow's recognition of independence, enter the republic into a "confederation" with the Soviet Union. Under this confederation, certain functions, like defence or foreign affairs, would stay within Moscow's control.

The scheme, yet to win the approval of the Popular Front leadership, Mr Bisars said, could be negotiated within a month.

Mr Bisars is the vice-chairman of the USSR's Supreme Soviet committee on nationalities.

The situation in Tallinn, the Estonian capital, was described as relatively calm yesterday after the demonstration.

Bonn plans unity fund

Continued from Page 1

second half this year will be around DM32bn, rising to around DM53bn in 1991.

A significant source of financing for East Germany is expected to stem from sales of state land and property under an ambitious privatisation programme to get under way after July 1.

Bonn officials hope that up to DM10bn could be raised a year in this way. These proceeds are aimed to be channelled directly into East German infrastructure projects.

Overall East German budget spending is put at around DM110bn a year. Assuming relatively smooth introduction of the West German tax system after July 1, tax receipts for the second half year are estimated at around DM25bn.

Total yearly East German budgetary revenue is put at roughly DM70bn.

Extra financing by the Fund will be in addition to West Germany's normal central government borrowing, which was an unusually low DM19bn last year. This is currently projected at DM33bn this year.

Van Gogh work fetches $82.5m

Continued from Page 1

pher Burge, Christie's American president – but the saleroom was expecting bids within its $40m-$50m estimate.

In the event, an auctioneer's dream came true and a determined telephone bidder came up against one of those mysterious Japanese dealers who appear from nowhere, in this case Gallery Kobayashi, and the stage was set for a duel to the financial death, or rather to $75m plus buyer's premium.

Mr Hideto Kobayashi, who has owned his tiny one-room gallery in Tokyo's fashionable Ginza district for 12 years, said after the sale: "I'm very glad to get the painting, I had made my mind up to get the work."

Staff at the gallery, overwhelmed by yesterday's unexpected blaze of media attention, said: "The price is amazing. It is as if we bought a dream."

Of the painting's new owner, the staff would reveal only that it is a company listed on the first section of the Tokyo Stock Exchange.

There were four bidders for the portrait, in which the doctor looks as melancholic and life-worn as the artist proved to be. After $50m, however, the fight was between the telephone and the young Tokyo dealer who raised his gold pen rapidly to signal another $1m bid and who laughed uproariously as the audience shouted the contestants on like a crowd at a tennis match.

The gallery was buying for a Japanese corporate museum and the under-bidder is thought to have been Mr Stavros Niarchos, the Greek shipping tycoon.

After the hammer came down, within three frenzied minutes, the successful new owner had to find an additional $7.5m in buyer's premium, which is Christie's reward for its efforts.

Mr Niarchos later paid $26.4m for a Van Gogh self-portrait.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	22	72	Dallas †	F	23	73	Madeira	S	20	68	Prague	F	23	73
Algiers	S	25	77	Dublin	F	14	57	Madrid	S	27	81	Reykjavik	F	10	50
Amsterdam	S	17	63	Dubrovnik	S	25	77	Majorca	S	24	75	Rhodes	F	21	70
Athens	S	29	84	Edinburgh	R	9	48	Malaga	S	23	73	Rio de Janeiro		–	–
Bahrain	S	34	93	Faro	S	23	73	Malta	S	23	73	Rome	C	22	72
Barcelona	S	24	75	Florence	S	24	75	Manchester	S	17	63	Salzburg	S	22	72
Belfast	R	13	55	Frankfurt	F	22	72	Melbourne	F	18	64	S'Francisco †	S	9	48
Belgrade	S	28	82	Geneva	S	23	73	Mexico City		–	–	Santiago		–	–
Berlin	S	19	66	Gibraltar	S	22	72	Miami †	S	27	81	Seoul	F	23	73
Biarritz	S	22	72	Glasgow	R	11	52	Milan	S	26	79	Singapore	F	31	88
Birmingham	C	17	63	Guernsey	S	15	59	Montreal †	S	12	54	Stockholm	C	9	48
Blackpool	R	15	59	Helsinki	C	13	55	Moscow	C	16	61	Strasbourg	S	24	75
Bombay	F	33	91	Hong Kong	C	25	77	Munich	F	22	72	Sydney	C	18	64
Bordeaux	S	23	73	Innsbruck	S	24	75	Nairobi	C	24	75	Tangier	F	23	73
Boulogne	F	16	61	Inverness	C	10	50	Naples	S	24	75	Tel Aviv	S	24	75
Bristol	S	17	63	Isle of Man	R	12	54	Nassau		–	–	Tenerife	F	22	72
Brussels	C	18	64	Istanbul	S	20	68	Newcastle	C	12	54	Tokyo	C	20	68
Buenos Aires		–	–	Jersey	F	17	63	New Delhi	S	34	93	Toronto †	R	12	54
Budapest	S	25	77	Johannesburg	F	16	61	New York †	R	16	61	Tunis	S	24	75
Cairo	S	30	86	Las Palmas	S	23	73	Nice	S	21	70	Valencia	S	23	73
Cape Town	S	31	88	Leeds	F	17	63	Nicosia	S	24	75	Venice	S	27	81
Cardiff	F	17	63	Lisbon	S	21	70	Oporto	S	20	68	Vienna	F	25	77
Chicago †	F	18	64	Locarno	C	24	75	Oslo	C	11	52	Warsaw	F	20	68
Cologne	F	22	72	London	F	19	66	Paris	F	19	66	Washington †	C	19	66
Copenhagen	F	18	64	Los Angeles †	S	18	65	Peking		–	–	Wellington	C	15	59
Corfu	S	26	79	Luxembourg	C	20	68	Perth	S	19	66	Zurich	S	22	72

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

BAe, General Dynamics form alliance

Continued from Page 1

company would become a major subcontractor if General Dynamics' M1A2 tank, widely believed to be the British Army's preferred choice, is selected by the London Government later this year over the Challenger 2 being developed by Vickers of the UK.

Royal Ordnance would be responsible for integrating the turret for the UK version of the tank. General Dynamics would also "support" Royal Ordnance as main ammunition supplier for tanks supplied to Britain and elsewhere.

In exchange for a UK tank order, General Dynamics would "endeavour to assist" its British partner in selling light howitzers in the US.

The agreement guarantees Royal Ordnance a share in both the main contenders for the UK tank order, expected to be for about 350 vehicles. RO is developing the main gun for the Challenger 2.

General Dynamics, which had sales of $10bn last year, relies on the military for 85 per cent of its business, one of the highest exposure rates for a major defence contractor.

Its defence interests range from fighter aircraft, notably the F-16, to nuclear submarines, missiles and tanks, of which it is the sole US supplier. However, US tank orders are due to come to a stop in September next year.

Two new combat aircraft programmes in which it is involved were both hit by a recent Pentagon review. Procurement of the Advanced Tactical Fighter, for which it is allied with Lockheed and Boeing in one of two rival development teams, is to be put back by two years.

However, General Dynamics is generally regarded as the most strongly placed of all the US military aircraft manufacturers. It also owns the profitable Cessna light aircraft company which parallels BAe's successful business jet division.

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INSIDE

NatWest may form French connection

NatWest has always lagged behind Barclays and Midland in France. But now it has a chance to double its French network at one stroke. It is in "exclusive discussions" with Crédit Commercial de France to buy its subsidiary, Européenne de Banque. As for the price: "We are as silent as carps," said Pierre Esteva, chairman of NatWest's French subsidiary. **Page 24**

Lies, damned lies and Ceausescu statistics

The myth that Romanian cows and hens produced better and more under the regime of Nicolae Ceausescu, is now finally laid to rest. A hard-hitting report reveals the deceptions and disasters of the past, and highlights the problems facing the government which will be elected next week in Romania's first free elections for more than 40 years. **Page 34**

Refining setback for Ultramar

Refining margins have plummeted at Ultramar, the diversified UK oil group, causing a sharp fall in net profits for the first quarter of 1990. The results failed to match expectations because of difficult market conditions in California. When oil prices hit peaks there during the winter months, refined product prices did not rise correspondingly, said John Darby (above), the group chairman. **Page 26**

Hong Kong: hard to shock

A growing number of Hong Kong companies are insuring their future in two ways — incorporating abroad and seeking share listings in financial centres other than Hong Kong. As the return to Chinese sovereignty approaches, Hong Kong is becoming hardened to the migration. Major safeguarding moves introduced this week by two leading companies — Sir Yue-Kong Pao's Lane Crawford department store and Jardine Matheson, Hong Kong's leading trading company — elicited only mild surprise. **Page 21**

Backs against the wall

Britain's brickmakers are faced with one of the worst UK housebuilding markets for a quarter of a century. With prices and sales tumbling, stocks of unsold bricks pile so high on factory forecourts that they could build a metre-high wall from London to Buenos Aires and back. Andrew Taylor looks at prospects for companies such as Redland, London Brick and Baggeridge, which yesterday announced a sharp fall in its profits. **Page 28**

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Altana	455	+	15
Springer	789	+	26
Falls			
Degussa	493	−	19
Hochtief	1310	−	42
Holzmann	1420	−	95
MAN	470.5	−	11.5

NEW YORK ($)

Rises			
AT & T	42¾	+	1⅛
Bio-Medicus	20	+	3⅜
Sotheby's Hldgs	18⅝	+	1⅝
Falls			
Circle K	1¼	−	¾
Manville	6½	−	½
Monsanto	101¼	−	3

PARIS (FFr)

Rises			
Beghin-Say	681	+	16
CFP	1934	+	74
Total-Petroles	711	+	16
Falls			
Coparex	540	−	20
Fromageries	2405	−	74
Radiotech	691	−	10

TOKYO (Yen)

Rises			
Nitto Kohyaku	1640	+	150
Pine-Tech	899	+	99
Sansui Electric	1160	+	130
Toa Paint	1430	+	140
Falls			
Nagasakiya	4190	−	290
TDK	2250	−	150

LONDON (Pence)

Rises			
BAT Inds.	693	+	12
BTR	400	+	4
Braithwaite	190	+	5
Carlton Comms.	547	+	17
Elam	135	+	5
Greene King	354	+	14
Greenall Whit.	309	+	8
Mecca Leisure	79	+	8
Molins	275	+	6
Polly Peck	422	+	7
Ratners	228	+	6
Reuters	1118	+	15
Vickers	215	+	7
Falls			
Cookson	195	−	3
Glaxo	783	−	30
Grand Met.	574	−	13
Hunterprint	39	−	7
Ladbroke	290	−	5
Rank Org.	777	−	9
Siebe	449	−	7
Smith & Nephew	105½	−	3

Suez jumps by 51% to top FFr4bn

By George Graham in Paris

COMPAGNIE Financière de Suez, the French financial and industrial conglomerate, has announced a 51 per cent increase in 1989 net profits to FFr4.06bn ($733m). It is aiming for at least a further 15 per cent gain this year, which would take its net result to well over FFr4.6bn.

The substantial rise in profits reflects both a sharp turnround in the performance of Société Générale de Belgique (SGB), the largest Belgian conglomerate of which Suez took control in 1988, and the group's expansion through the takeover last year of Groupe Victoire, the big French insurance company.

SGB improved from a small loss, equivalent to FFr140m in 1988, to net profits of FFr3.3bn in 1989. Victoire, meanwhile, made net profits of FFr3.2bn in 1989. This was reduced to FFr1.8bn by the write-off of FFr1.3bn of goodwill on the acquisition during the year of Colonia-Nordstern, the West German insurance group. It was the purchase of Colonia which provoked a dispute that led Suez to boost its 30 per cent stake in Victoire and eventually take control.

Suez's entire industrial and property sector, principally made up of the Belgian holding company, contributed FFr1.5bn to group net profits. The next largest profits contribution came from Suez's banking division, especially from its wholly-owned merchant banking subsidiary Banque Indosuez.

Insurance activities contributed FFr400m to group net profits, while parent company and portfolio investments contributed FFr900m, mostly in the form of realised capital gains.

The group has been transformed radically since its privatisation on the eve of the stock market crash in October 1987, from a merchant banking group with a disparate portfolio of industrial holdings, into a conglomerate with three almost equal activities: banking, insurance and industry.

Mr Renaud de la Genière, Suez's chairman, said its net assets, after revaluation of listed holdings, had tripled in value to FFr65bn, leaving its stock market capitalisation — currently around FFr56bn — showing a discount of nearly 15 per cent.

"I regard this as excessive for what has become a fully operational holding company," he said.

Suez's results are heavily affected by the company's accounting decisions. SGB, which was treated by the equity method in 1988, moves to full consolidation in 1989, while Victoire was treated by the equity accounting method for the first three quarters of 1989 and fully consolidated for the last three months. In addition, Suez has chosen to offset, against the FFr11.5bn, goodwill arising on the acquisition of Colonia, not only FFr300m of revalued tangible assets but also its evaluation of Colonia's market share in West Germany — FFr7.8bn. This leaves only FFr3.4bn to write off over two years.

Similarly, it decided to offset against the FFr3.5bn of goodwill arising on the 22 per cent additional stake it took in Victoire, a FFr3.9bn evaluation of the corresponding proportion of Victoire's market share in France, leaving no goodwill to write off.

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Bourses battle for pride of place in Europe

Richard Waters looks at proposals for a pan-European stock market

When the leaders of Europe's stock exchanges meet in Copenhagen this morning to ponder the next step in the development of a pan-European stock market, they will be faced by one undeniable fact: a powerful prototype for such a market already exists.

It is called SEAQ International (SEAQI) and is based in London. The market, run by London's International Stock Exchange, is only five years old but already handles more business than London's domestic stock market (though this is partly due to the depressed level of trading on the domestic market).

An average of £1.48bn ($2.47bn) worth of shares a day were traded on the international SEAQ in the first three months of the year, compared to £1.22bn on the domestic version. These are not numbers to be sniffed at: London's domestic market accounted for a third of all domestic business done on European stock markets last year.

So why has SEAQI not already been accepted by Europe's national exchanges as the prototype Euro-equity market? Because some other markets believe it is too lightly regulated, because it uses a trading mechanism which is still alien in some quarters — and because it is British.

National pride and the battle for the position as Europe's leading financial centre have made the debate about the structure of equity markets a particularly difficult one to resolve.

Users of the markets, meanwhile, mostly agree that some sort of pan-European market would be a good thing, and that SEAQI — despite its successes — could never do the job without participation from other countries.

Legal & General, for example, is a UK insurance company with £1.3bn invested in non-UK equities. Only 10-15 per cent of its (non-UK) European share trading passes through SEAQI.

"Unless it is used by all Europeans, it's not going to get the local volume," says Mr Michael Payne, L&G's director of investment strategy.

So the company, like others, channels most of its trading through local markets, despite the short trading days and fragmentation of national markets that makes such dealing unsatisfactory. Liquidity — the ability to deal immediately and in large size, the thing that large investors look for in markets — is still usually easier to find locally than on SEAQI.

That view is not shared on all sides. Mr John Wallinger, head of international equities at Warburg Securities, argues that SEAQI's attraction is its immediacy, offering investors the chance to deal when liquidity may have dried up in a local market.

Both Warburg and Legal & General agree, however, that the present situation is unsatisfactory and that there is a need for greater liquidity in European shares — and that a central market for Europe is the way to achieve this. They have different reasons for being interested.

While investors want greater liquidity to make buying and selling easier, the brokers and dealers who are the markets' intermediaries believe that the more liquid the markets, the greater the volume of business they attract — and, hence, the greater the business available to them.

According to Mr Howard Coates, head of equities at Barclays de Zoete Wedd: "We are interested in ways of enhancing business in European equities generally, because we would be beneficiaries of higher activity in Europe."

It is this desire for greater liquidity across Europe as a whole which is driving the exchanges towards some form of Euro-market.

The question with which the exchanges are now grappling is what form such a market should take.

At one extreme, a French proposal for a "Eurolist" would involve the trading of shares in Europe's largest companies through each national exchange. Each trade would be governed by the rules and regulations of the market where it was carried out.

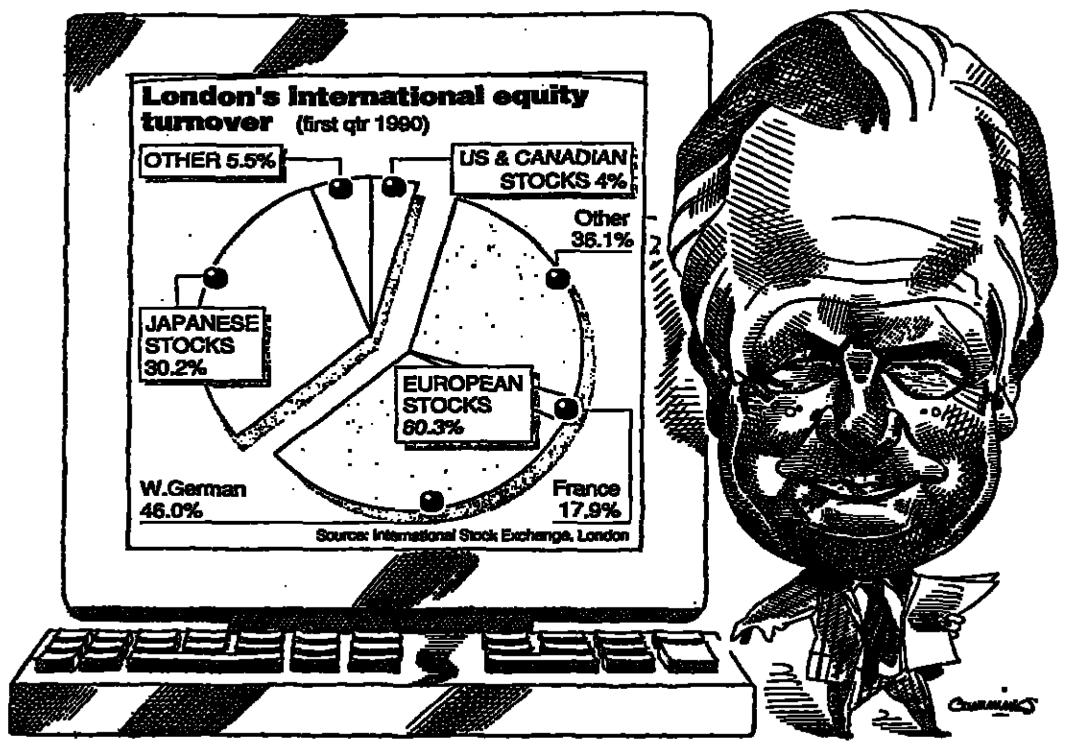
At the other extreme is the UK proposal for a market based on SEAQI — in many respects something close to the Eurobond markets, where investors deal with little regulation.

Mr Andrew Hugh Smith, chairman of the London exchange, is expected to use the Copenhagen meeting over the next two days to propose such a market.

The different approaches reflect different objectives for the market. The French scheme, for instance, would be better suited to retail investors who need the protection offered by a tightly-regulated market, while the British one would be suitable only as a market for professionals.

Since most cross-border dealing is currently undertaken by professionals, it seems likely that the British model would receive wider support from market users.

As Mr Coates says of the possible Euro-market: "To the extent that it is run by practitioners, is lightly regulated and is a professional market, it's the sort of thing that we would support. SEAQI seems to be working pretty well from that point of view at the moment. If whatever evolves is along those lines, we would welcome it."



A market for professionals: Andrew Hugh Smith hopes for a system based on SEAQI

Enimont plans $1bn purchase

ENIMONT, the Italian chemicals group, plans to announce next week a $1bn offer to buy an unspecified company, AP-DJ reports.

Announcing the planned deal in Milan, Mr Sergio Cragnotti, managing director, declined to say in which sector the acquisition would be.

He said the purchase would be announced on May 21 and that the acquisition would be financed through the issue of bonds with warrants.

Enimont, a joint venture between Montedison and ENI, the state energy company, also announced its first year's results yesterday.

John Wyles adds: Net consolidated earnings totalled L716bn ($592m) for last year — below the company's early expectations and less than the Montedison and ENI operations that make up Enimont earned when they were separate companies.

Net earnings compared with L817bn in 1988 before the joint venture was established. Consolidated sales of L15,347bn were 5.9 per cent higher on a comparable basis.

Refining and aromatics, crackers and intermediates, and elastomers registered sales increases ranging from 28.8 to 11.4 per cent, but sales fell in the fibres, agri-industrial products and fine chemicals sectors.

Operating profits were L1,665bn or 10.8 per cent of sales, while debt servicing costs was L779bn on a net indebtedness of L6,186bn.

Mr Cragnotti also announced a series of other capital operations totalling L1,900bn including a L200bn capital increase for Enichem Augusta and a L500bn capital increase for its fibres subsidiary Montefibre.

Correction

CMB Packaging

IN THE illustration accompanying Tuesday's article on CMB Packaging, figures given for operating profits were incorrect. They were those of the premerger Metalbox Packaging and not CMB, correct figures for which appear below:

CMB RESULTS (FFr m)

	1989	1988	
Turnover	21,316	18,111	+18%
Operating profit	2,084	1,689	+23%
Attributable profit	1,132	775	+46%

1989 results compared with pro forma 1988

Volvo in talks to buy Dutch stake in joint car venture

By John Burton in Stockholm

VOLVO, the Swedish motor group, is in talks to buy all or part of the Dutch Government's 70 per cent stake in Volvo Car BV, their jointly-owned company.

The talks are linked to Volvo's decision to expand output outside Sweden as a way of avoiding high production costs.

BV's plant, at Born in the Netherlands, could in theory serve as the future site for the assembly of Mitsubishi cars if Volvo concludes an agreement with the Japanese group about production co-operation within the European Community. An alternative site would be Volvo's plant in Ghent, Belgium.

The Born factory might also play a key role if the Swedish group and Renault, the French vehicle manufacturer, decide to extend their co-operation to develop a successor to Volvo BV's medium-size 400 series. Renault provides the engines for this model.

Renault also has a 25 per cent stake in the Volvo Car Division, the Volvo subsidiary which holds the shares in BV, following the recent cross-ownership arrangement between the two companies.

The Dutch Government is understood to be willing to sell its stake in BV as long as Volvo offers several guarantees, notably over job security at the Born plant.

BV was established in 1972 as a joint venture between Volvo and DAF, the Dutch motor group, with the Swedish company holding a 33 per cent shareholding. It increased its stake to 46 per cent in 1974, and 75 per cent in 1975.

But Volvo threatened to pull out of the venture in the late 1970s as losses mounted, forcing the Dutch Government to take an initial 45 per cent stake in 1977 which was increased to 70 per cent in 1981. Dutch government financial support for BV has amounted to Fl 800m ($435m).

BV has proved profitable in recent years, with earnings of Fl 55m. The Born factory's output this year is expected to reach 140,000 vehicles, including both the 300 and 400 series. This accounts for almost one-third of all cars Volvo produces worldwide.

Volvo also announced yesterday that it has acquired control of the bus operations of Steyr-Daimler-Puch, giving Volvo entry to the Austrian market.

Volvo and Steyr will establish a joint company under the present Steyr Bus name in which the Swedish group will have a 75 per cent stake. Volvo Bus is the market leader in western Europe for heavy buses.

Continental mulls Kwik-Fit bid

By Andrew Fisher in Hanover

CONTINENTAL, the West German tyre group, yesterday said it intended to keep its 13 per cent shareholding in Kwik-Fit, the UK tyre and car parts retailer, and did not rule out the possibility of making a full bid.

"We do not exclude a full takeover offer," said Mr Horst Urban, the chief executive of Continental. The group denied any bid intentions last November, but the six months under which the UK Takeover Panel required it to adhere to this statement expired last Monday.

Mr Urban added that Continental did not plan to make an immediate bid and was still talking about possible co-operation with Mr Tom Farmer, the head of Kwik-Fit who has made clear his disinclination to stock Continental products. Continental is known to be showing a heavy loss on its Kwik-Fit investment.

Mr Urban said Continental's attention in the UK tyre market had been taken up by its acquisition of National Tyre Services, the distribution chain, from Michelin of France. "But now, Kwik-Fit is more in the foreground." Under UK takeover law, Continental would not have to make a full bid until it reached a 30 per cent stake.

Continental's moves into distribution reflect tough competition on tyre markets. It hopes for a similar profit in 1990, to last year, when it managed to increase net profits — by 3.2 per cent to DM201m ($122.5m) on a comparable basis — through the much-improved performance of ContiTech, its industrial rubber and plastic products operation. Tyre profits were down because of low prices, the effects of mild weather on winter tyre sales, and a long strike at General Tire, its US subsidiary.

Stated net profits were DM228m, most of the 17 per cent increase reflecting changed depreciation treatment. Earnings per share fell from DM29.2 to DM26.2. Turnover was 6 per cent higher at DM8.4bn. This included DM1.7bn from ContiTech, though its contribution to profits was much higher than its 20 per cent share of turnover.

In the first quarter of 1990, turnover was 4 per cent higher at DM2bn, with DM9.5bn expected for the full year. Profits in the first three months were "not worse" than a year ago, said Mr Urban.

UK aviation companies act to fight dull market

By Paul Abrahams

RESTRUCTURING of the British civil aviation industry continued yesterday as the two largest charter airlines, Dan Air and Britannia Airways, respectively announced the possibility of forging links with another airline and job losses.

Dan Air, owned by Davies & Newman Holdings and is the UK's second largest charter carrier, announced that it was considering greater co-operation with carriers both in the UK and elsewhere. The company reiterated that an offer for Dan Air was a possible outcome of negotiations which are taking place. Davies & Newman's share price rose from 425p to 575p in London on the news.

The talks follow a pre-tax loss at Davies & Newman last year of £3.34m ($5.6m) compared with profits of £9.92m in 1988.

Britannia Airways, part of the International Thomson travel group, told staff yesterday that the company intended to make 250 employees redundant, following a six-month review. Profits fell from £41.8m in 1988 to £36.7m last year, and a further decline is expected this year.

Mr Graham Hutchinson, managing director of Dan Air, recently said that British civil aviation was passing through the most difficult and uncertain climate it had faced. All charter airlines have been caught by falling demand and increasing costs.

There has been a slump in bookings in the tour operator market this summer and a 20 per cent decline in the holiday market.

Analysts blame the downturn on a weakening economy and concern about delays caused by air traffic control problems. However, Britannia has been less exposed than Dan Air to the downturn, because it is guaranteed business from Thomson's tour operator division.

The weak European charter market has prevented the carriers putting up prices to cover a mushrooming cost-base, and all airlines have experienced a reduction in margins.

GrandMet profits up 36% aided by US acquisitions

By Philip Rawstorne in London

GRAND Metropolitan first-half pre-tax profits jumped by 36 per cent from £301m ($505m) to £409m, helped by strong performances from Pillsbury and Burger King, the recently-acquired US food and retailing operations.

Pillsbury increased its volume sales by 9 per cent, contributing £103m to the group's trading profits of £483m. Burger King, with US sales up 4 per cent this year and a growing UK presence, added £58m.

Mr Allen Sheppard, GrandMet's chairman, confirmed that Pillsbury, which made only a three-month contribution to the £328m trading profits for the six months ended March 31 1989, would lift its earnings per share this year.

The interim figures benefited from property profits of £53m against £19m last time, and gained a further £11m from a favourable exchange rate. The higher property element affected market sentiment, according to analysts, who are predicting full year pre-tax profits of more than £900m. GrandMet's shares closed at 574p, down 13p on the day.

Extraordinary net profits of £499m were earned from the disposal of the William Hill betting operations. Earnings per share rose during the half-year by 25 per cent from 22.9p to 28.6p. An interim dividend of 7.6p is proposed, an adjusted increase of 15.2 per cent.

Group turnover on continuing business rose 42 per cent to £4.7bn (£3.3bn), with nearly half of sales in the US and 40 per cent in the UK. US foods sales at £1.2bn reflected the benefits of new product introductions.

Though Pillsbury's European businesses performed strongly, depressed margins in the UK dairy business and continued softness in the UK market resulted in level trading profit at Express Foods. Trading profits on the entire European food operations rose from £45m to £50m, on turnover up 6 per cent to £679m.

GrandMet's pubs and restaurants in the UK reported a flat financial performance as the squeeze on consumer spending hit the market in south-east England. Some 300 jobs are being cut, and heavy investment is being made in refurbishment and equipment.

A £19m profit on the sale of the group's stake in Satellite Information Services helped to offset a £10m provision for reorganising the UK retailing.

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Thomson in travel doldrums

By Bernard Simon in Toronto

THOMSON Corporation, the Canadian-controlled publishing and travel group, yesterday reported a steep drop in first-quarter earnings following heavy financing costs, continued operating losses in the UK travel market and a lacklustre performance by North American newspapers.

Net earnings dipped to US$8m or 1 cent a share in the three months to March 30, from US$24m or 4 cents a year earlier. Sales edged up from $997m to $1.03bn.

Interest costs more than doubled to $43m, reflecting borrowings for acquisitions in the second half of last year. The purchase of Lawyers Co-operative Publishing (LCP), a leading US law publisher, was Thomson's biggest acquisition. The group spent a total of $1.2bn buying 49 businesses last year.

First-quarter operating profit from newspapers fell from $68m to $61m. The squeeze came from reduced US advertising lineage and costs of development and promotion.

The travel business suffered a loss of $26m, roughly the same as last year. Thomson noted, however, that high-margin Easter business falls into the second quarter this year, while it was concentrated in the first three months of 1989.

The company said that the summer 1990 holiday market had improved "a little," although bookings were still likely to be "substantially down" on last summer.

In publishing, LPG exceeded expectations, leading to a "strong performance" by the North American professional publishing group.

Iri agrees to defence electronics merger

By John Wyles in Rome

AN IMPORTANT reorganisation of Italy's defence electronics industry was announced yesterday when the board of Iri, the state holding company, agreed to the merger of Selenia with Aeritalia, the aerospace company.

The decision confirms the strategy of concentrating Iri's main electronics businesses under its Finmeccanica group. A fusion of the two companies is aimed at dealing with competition from the world's large integrated defence equipment groups such as United Technologies and British Aerospace.

The merger should be completed by the end of the year, creating a company with forecast sales in 1990 of L5,500bn ($4.5bn) with 30,000 employees. The combined order books for civil and defence electronics of Selenia and Aeritalia totalled L10,500bn at the end of last year, and 44 per cent of their output was exported.

Finmeccanica suggested yesterday that the new company would still be a minnow in the European and global pools – seventh in Europe but with sales of not much more than a third of the leaders, which include Thomson-CSF of France and British Aerospace.

The merged company is to manage Ferranti Italia, which was recently acquired by Finmeccanica.

Insurer in loss for first quarter after storms

By Patrick Cockburn in London

COMMERCIAL Union Assurance, the UK composite insurer, produced a pre-tax loss of £25.6m ($43m) in the first quarter compared to a profit of £45.1m over the same period last year, largely because of heavy storm losses in Europe in January and February.

Mr Tony Brend, chief executive, said the loss reflected two major storms "which we now estimate have cost the group a total of £55m, including the cost of £22m to reinstate our reinsurance protection."

Despite the loss, the London Stock Exchange marked Commercial Union's shares up 6p to 258p, reflecting relief that storm and other losses were better than expected.

Mr Brend emphasised that shareholders' funds remained strong at £1.57bn, compared to £1.71bn at the end of 1989, despite the worldwide fall in stock markets.

Losses in non-life insurance were also balanced by the strong development of Commercial Union's life business, where profits were up 14 per cent at £26m against £21.1m in 1989. Nevertheless, the storms produced an operating loss in the UK for the first time since 1984. According to Mr Peter Ward, general manager of UK operations, the pre-tax operating loss in the UK was £13.9m in the first quarter compared to £42.3m.

Mr Chris Pountain, insurance analyst at Morgan Stanley International, said that CU's results sharply contrasted with disappointing figures from General Accident last week. They showed that CU had largely got its US losses under control and that net asset value of the company had not deteriorated as sharply as at GA.

Mr John Carter, an executive director of CU, was negative about reports that CU might take part in a rescue vehicle for policy holders insured through HS Weavers, the underwriting agency of London United Investments whose shares were suspended in March.

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Blue Circle takes 50% of Danish cement maker

By Andrew Taylor in London

BLUE CIRCLE, Britain's biggest cement group and the third largest in the world, has made its first acquisition in continental Europe.

The group has agreed to pay £93.3m ($157m) to acquire a 50 per cent stake in Denmark's sole cement manufacturer.

Blue Circle, one of only three cement manufacturers in the UK, has previously been criticised for its lack of a cement interest in continental Europe.

Under the terms of the deal, the British group will have a half share in the cement business of Aalborg Portland. Blue Circle said Aalborg was 60 per cent-owned by F.L. Smidth, which in turn was owned by Potagua, a broadly based building materials concern controlled by three families including that of Mr Christian Kjaer, Aalborg's chairman.

The Danish cement company made pre-tax profits of DKr80m ($7.6m) last year, selling 1.3m tonnes of cement to its home market and exporting a further 730,000 tonnes.

This included 250,000 tonnes to the UK as well as exports to the Middle East, the US and more recently to Turkey.

The company has sufficient reserves for 30 years' production and concessions equivalent to another 100 years' production, said the UK manufacturer.

Aalborg had recently won an injunction halting the imports of East German cement to Denmark, which the company said had infringed its patent for removing chromium impurities from cement demanded under Danish law.

Blue Circle said the substitution of Danish cement for East German imports could add another £6m to Aalborg's profits in a full year.

Aalborg owns and operates four purpose-built bulk cement carriers, ranging in capacity from 4,000 tonnes to 25,000 tonnes.

In addition to a half share in the cement business, Blue Circle has also acquired a stake in a small Danish aggregates business and a 20 per cent share in Lehigh White Cement company of Yaco, Texas.

Fund group and bank link arms

By Laura Raun in Amsterdam

ROBECO, the Dutch mutual fund group, and Rabobank, the third largest Dutch bank, are forging a strategic alliance for the joint development and marketing of investment products in their home market.

Rabo's 2,000-member branches in the Netherlands will serve as outlets for Robeco's mutual funds, which total about $22bn, the third biggest portfolio in Europe. The partners will also co-operate in portfolio management for institutional and private clients and in investment research, with joint ventures possible.

The link-up reflects the rapid consolidation among financial institutions as markets become more international and competition mounts. Rabo will integrate its house funds with those of Robeco.

"We believe that investment products are one of the first retail markets to take on a European dimension," said Mr Herman Wijffels, chairman of Rabo, yesterday.

Mr Pieter Korteweg, his counterpart at Robeco, said: "We lack physical distribution channels and that's what Rabo offers us."

The alliance leaves the two partners free to seek further alliances involving their foreign activities.

The two companies ruled out any eventual merger. The deal is intended to maintain separate corporate structures and identities.

Solvay buys enzyme maker from Bayer

By Tim Dickson in Brussels

SOLVAY of Belgium, one of Europe's biggest chemical companies, announced its acquisition of the enzyme products business of the Miles pharmaceutical group of the US and claimed that the move put it among the world's top three enzyme producers.

The expansion in Solvay's biotechnology activities "is in line with the group's strategy directed to high added-value products." It is buying Miles from Bayer, the West German chemical group.

Enzymes are chains of amino acids which can be used as catalysts in chain reactions used in certain food and detergent processes. Solvay said that the two major players in the enzyme market are Novo of Scandinavia and Fin Sugar, a subsidiary of Eastman Kodak.

The Belgian company refused to give any financial details of the acquisition. It said the enzyme products business of Miles had centres of production in the US, Argentina, Mexico and West Germany, and that the last three were in the form of joint ventures. The commercial network covers Japan, Europe and the Americas.

In the last two months Solvay has announced that its German subsidiary, the Alkor Group, is taking control of Alfred Beck of West Germany, that its jointly owned Interox Group will expand its production capacity for sodium perborate monohydrate in the US, the UK, Belgium, West Germany and Italy, and that it is acquiring the plastics processing activities of the Kuhlman Group in North America.

Circle K files for protection as refinancing fails

By Roderick Oram in New York

CIRCLE K, a leading US convenience store chain burdened by $1.1bn of debts, has filed for bankruptcy court protection after several lenders balked at a refinancing agreement.

The Arizona-based company said it would continue to operate its 4,608 US stores. Circle K is the second largest chain after 7-Eleven whose parent, Southland, is also facing severe financial difficulties.

Both companies have been hurt by heavy debt and competition from convenience stores owned by oil companies.

Circle K also has 1,386 stores operated by franchisees or joint venture partners in 13 other countries, including the UK.

Last month the group had reached a tentative agreement to refinance its bank loans and to make an exchange offer for its outstanding debt. But several lenders had subsequently refused to sign a definitive agreement, the company said.

The bankruptcy petition is a blow to Mr Carl Lindner, the prominent Cincinnati investor who is trying to revive Circle K. His company, American Financial Corporation, is the largest shareholder with a 38 per cent holding, and a leading creditor.

Mr Robert Dearth, an associate of Mr Lindner, became president of Circle K in January and took over last week as chief executive from Mr Karl Eller. Buying a 7.1 per cent stake in Circle K in 1983, Mr Eller, a Phoenix investor, had financed the company's rapid growth using junk bonds.

Murdoch plans joint venture with Burda

By Raymond Snoddy

MR RUPERT Murdoch's News Corporation has entered into a strategic alliance with Hubert Burda, one of West Germany's largest publishers and printers, which will include joint ventures in East Germany.

The deal was announced on the day when Mr Murdoch's rival in the UK, Mr Robert Maxwell, publisher of Mirror Group Newspapers, said he too intended to take a stake in East Germany's newspaper industry.

Mr Maxwell told a press conference in East Berlin that he intended to buy a stake in Berliner Verlag, a company owned by the East Germany Communist Party. The company publications include the 420,000 circulation East German Berliner Zeitung and a magazine called FF, with sales of 1.5m.

Mr Murdoch's agreement with Burda, through his News International subsidiary, envisages close co-operation between the two companies in Germany in both printing and "jointly utilising their respective strengths in the production of newspapers and magazines."

The most immediate effect of the deal will be in Liverpool. Eric Bemrose, the Murdoch gravure printing subsidiary, is to lose the contract to print more than 5m copies per week of Sunday, the News of the World colour magazine.

From October the magazine will be printed at Burda's Darmstadt plant which will be spun off into a new company, Burda News Druck, owned equally by Burda and News International.

There will clearly be job losses at Bemrose, where 600 people are employed, although News International is also building a new newspaper printing plant in the Liverpool area.

Under the agreement newspaper printing capacity will be created in East Germany through another new jointly owned company.

Cineplex still confident despite continued losses

By Bernard Simon in Toronto

CINEPLEX Odeon, the Toronto-based film exhibitor in the middle of an extensive restructuring, continued to lose money in the first quarter but expressed confidence about an eventual return to profitability.

The debt-burdened company, which is North America's second biggest cinema operator, lost US$12m, or 25 cents a share, in the three months to March 31, compered to earnings of $10.7m, or 22 cents a year earlier. The figures include a $19.1m gain from the sale of its remaining 51 per cent stake in a Toronto film production business to Britain's Rank Organisation.

First-quarter revenues grew to $139.7m from $128.5m, including a 19 per cent rise in box-office receipts, which was well above industry average. But the revamping of the company's US film distribution business was reflected in a 25 per cent drop in revenues from distribution and post-production work. Long-term debt fell to $532m on March 31 from $578.1m a year earlier.

The company has been under new management since the end of last year when its former driving force, Mr Gerth Drabinsky, failed in a buy-out bid and left.

Cineplex expanded rapidly under Mr Drabinsky. However, the cost of this growth included an unmanageable debt burden and a move into unfamiliar businesses.

Canada to consider telecom challenge

By Bernard Simon in Toronto

UNITEL Communications of Toronto has taken the most significant step in recent years towards deregulation of Canada's telephone system by submitting a long-awaited application to regulatory authorities to compete in the long-distance market.

Unitel, which changed its name last week from CNCP Telecommunications, yesterday asked the Canadian Radio-television and Telecommunications Commission (CRTC) for permission to provide public long-distance service and a bulk-rated service for business in competition with Telecom Canada, the consortium of telephone utilities which has a monopoly on long-distance calls.

Unitel is owned 60 per cent by railway and resources conglomerate Canadian Pacific and 40 per cent by Rogers Communications, the country's leading cable-TV operator. It already supplies private-line voice and data services.

The CRTC will hold lengthy public hearings on the Unitel application before making its decision. Unitel president Mr George Harvey said he expected the regulatory process to take about 18 months.

The application is likely to be strongly opposed by Telecom Canada members, which use lucrative long-distance revenues to subsidise inexpensive local services. Bell Canada, the utility which has a virtual monopoly on services in Ontario and Quebec, was expected to outline its position late yesterday.

Unitel proposes to undercut Telecom Canada charges by 15 per cent. Mr Harvey said Canadians "are paying too much for long-distance telephone service. We hope this application will effectively break the monopoly practices that keep prices high."

He said Unitel could achieve the 15 per cent cut in rates without pushing up local charges. The company proposes to connect its existing network over six years to the local networks of telephone companies in seven of Canada's 10 provinces.

Toys 'R' Us sees 23% boost in first quarter

By Karen Zagor in New York

TOYS 'R' Us, the rapidly expanding US chain of toy stores, yesterday reported strong first-quarter profits and sales.

Net income for the three months to April 29 grew 23 per cent to $33.2m or 17 cents a share from $27.1m or 14 cents a year earlier.

Sales increased to $844.8m from $767.7m.

The Kids 'R' Us children's clothing stores reported double-digit volume growth.

The company, which claims to be the largest specialty toy retail chain in the world, is negotiating to expand into Japan after a decade of strong growth in the US and Europe.

Steady nerves on the flight to Bermuda

John Elliott looks at the insurance Hong Kong's top traders are taking against 1997

A few years ago, quick-fire announcements that two of Hong Kong's leading groups – Jardine Matheson and World International – were moving out of the colony would have caused panic and sent the stock market plummeting. Indeed that is just what happened in 1984 when Jardine, the leading local "Hong" trading company, started Hong Kong's six-year-old corporate migration by moving its domicile to Bermuda.

Now Hong Kong is learning to be more philosophical about such news as it becomes resigned to high political risk ratings in the run-up to its 1997 return to Chinese sovereignty. So while there was some surprise, there were no great shock waves when the Lane Crawford department store subsidiary of Sir Yue-Kong Pao's World International group said on Tuesday that it plans to move its domicile to Bermuda.

Politically it was not expected, because Sir Y.K. is close to Mr Deng Xiao-Ping, the veteran Chinese leader.

Four days earlier, Jardine Matheson announced it was to list its shares in London, Luxembourg and possibly the US, as well as Hong Kong. This made it the first leading group to seek share listings abroad, which is the next logical step for companies looking for insurance against the future. A handful of much smaller companies have similar plans.

They are seeking additional listings as Jardine has done, or are moving a business to an overseas stock exchange. The local Gold Peak Industries announced this week it is planning a Singapore listing for its battery division.

Lane Crawford was the latest of between 70 and 90 companies which have moved (or are planning to move) their domicile, mostly to Bermuda, since 1984. No one is sure about the total – the Hong Kong Stock Exchange says it is 55 but bankers have lists totalling 70.

What the companies are really doing is trying to insulate themselves against a Communist takeover after 1997. The Sino-British Joint Declaration on the hand-over promises Hong Kong a "high degree of autonomy" with "unchanged" social and economic systems and lifestyle. But that has seemed less guaranteed after last June's Tiananmen Square crisis.

Companies now hope that if they incorporate themselves abroad, they will at least be able to prevent overseas assets being taken over if China reneges on the declaration and appropriates businesses.

Another reason mentioned by some top executives is the possible need to have a non-Hong Kong public image for foreign expansion. Resistance

Peter Woo: difficult to find better places to invest

to a takeover of a US company would, for example, probably be far less against a Bermuda-based bidder than one which could be portrayed as Communist-based. There are also some cost advantages in places like Bermuda, on matters such as transfer and capital duties.

Some companies, including Jardine, had hoped to get round Hong Kong's ban on share buybacks, but that has been blocked by the colony's Securities and Futures Commission till regulatory guidelines are completed.

The short-term attraction of overseas share listings is that they should help a company's share price which is depressed in Hong Kong because of the political risk, with price-earnings ratios in the range of nine or ten compared with multiples of 20 or more in places like Singapore. Jardine hopes its London listing will pull up its Hong Kong price. Lane Crawford was especially significant because it was the first part of a top-ranking group to move since Jardine.

Jardine's other companies, such as Hongkong Land and Mandarin Oriental, have followed since 1984 but most of the rest of the list are second ranking companies, or even smaller, such as International Maritime Carriers, the Lau brothers' China Entertainment and Evergo Holdings, the Cha family's Mingly Corporation.

Some other companies have been abroad for years and most business families have extensive and fast growing private investments overseas. Sir Y.K.'s shipping empire has been domiciled in Bermuda, the Cayman Islands and Liberia for at least 15 years.

The announcements do not mean of course that the companies are packing their bags and leaving. Jardine Matheson, with sales last year of HK$15.1bn, says it has 55 per cent of its profits and 70 per cent of its assets in the colony, while the figures for its Dairy Farm International retailing subsidiary, which is also listing abroad, is 50 per cent of profits and 40 per cent of assets.

Lane Crawford, which runs five department stores and 32 speciality boutiques and shops in Hong Kong has only three shops abroad – in Taiwan.

Mr Peter Woo, one of Sir Y.K.'s sons-in-law who is chairman of the elderly tycoon's World International and Wharf Holdings non-shipping interests, estimates that approaching 90 per cent of the groups' assets are in Hong Kong.

Like most top Hong Kong Chinese businessmen, Mr Woo would like to reduce that figure. But he admits that it is difficult to find places to invest which are so attractive as Hong Kong, with limited regulations, a low tax rate, a free port and other facilities needed to make quick profits.

So local companies are finding that overseas diversification is not easy, in spite of the propaganda about internationalising operations and share ownership. But not everyone is going. Top listed companies which have made no move include the British-controlled Swire group; Mr Li Ka-shing's Cheung Kong and Hutchison Whampoa and Lord Kadoorie's China Light and Power.

"Going is obviously an option open to us, and it has been discussed at board level," says Mr Simon Murray, managing director of Hutchison. "But Mr Li feels very strongly that we should stay in Hong Kong and we support that view as things stand today – but it all depends on the weather."

Bond in negotiations to sell stake in BSB

By Raymond Snoddy

MR ALAN BOND, the financially troubled Australian businessman, is said to be in serious negotiations to sell his substantial stake in British Satellite Broadcasting which cost about £150m ($252m).

According to Mr Michael Edwards, chief executive of Bond (UK), "very substantial companies are seriously interested in purchasing the stake."

Mr Edwards says that the interest is coming from both Europe and the US but refuses to identify any of the companies involved. The names suggested in the past included the Walt Disney Company; Mr Silvio Berlusconi, the Italian media entrepreneur, and Mr Robert Maxwell, publisher of Mirror Group Newspapers.

Mr Bond has made it clear for some time that he wanted to sell his 26 per cent share of the equity in BSB, a consortium in which Pearson, publisher of the Financial Times, has a significant stake. However, Mr Bond is now only two weeks away from a critical deadline.

If he fails to find a buyer by the end of this month, Mr Bond will either have to commit a further £117m to the project – 26 per cent of the £450m equity part of the package – or face savage dilution of his existing stake.

● Bond Corporation, Mr Bond's main quoted company, yesterday announced the formal agreement for the sale of its 66 per cent stake in Bond Corporation International of Hong Kong to Tomson Pacific of Hong Kong and to independent parties who will take up a later share placement for a total of HK$2bn (US$256m), writes John Elliott in Hong Kong.

Agreement has also been reached on the sale of half a Bond development site in Rome to Tomson Development Corporation of Taiwan for US$70m.

Heads of agreement were reached on May 3.

Nathan Lion profits fall

By Terry Hall in Wellington

A SHARP reverse in its tax position brought Lion Nathan, the New Zealand brewing and retailing group, a 3.7 per cent fall in net profit to NZ$17.7m (US$10m) for the six months to February.

However, the group performed strongly with all divisions reporting higher earnings and lower interest charges. This led the company to report a 70 per cent rise in pre-tax profits to NZ$41.6m compared with NZ$24.4m. It paid taxes of NZ$8m against a tax credit of NZ$9.8m.

Mr Douglas Meyers, the chief executive, said the group was still keen to acquire Bond Breweries in line with plans to become an important Australasian brewery group.

He said Bond Breweries now had to be valued at A$1.5bn (US$1.1bn) instead of the A$2.5bn value originally placed on it. This was because the Bond group lacked the resources to help it develop.

In the first half, Lion Nathan's own Steinlager beer had considerable export successes in the US, helped by Steinlager II's involvement in the Whitbread race.

In the last full year the company earned NZ$57.4m.

Judges criticise Manville trust over cash shortage

By Martin Dickson in New York

A TRUST set up by Manville, the US industrial group, to pay claims to victims of asbestos products has been criticised by two judges for a shortage of funds, and they raised the possibility that the company might be forced to contribute more money to the body.

The trust was formed two years ago as part of a settlement which enabled Manville, weighed down by asbestos-disease related claims against the company, to emerge from Chapter 11 of the bankruptcy code.

In return for payments by Manville, the trust has assumed all legal liabilities for the company's asbestos products.

However, two judges overseeing nearly 500 cases stemming from the use of asbestos at the Brooklyn navy yard in New York, have demanded to know why the trust was suffering a shortage of cash and why it has told many disease victims they will not receive compensation until well after the year 2000.

Judge Jack Weinstein and Justice Helen Freedman said payments could be speeded up by measures such as requiring Manville to increase its contributions or opening the company up to new lawsuits.

Hewlett earnings decline

By Louise Kehoe in San Francsico

HEWLETT-Packard, the US computer and electronic equipment manufacturer, suffered a decline in earnings in the second quarter.

Its stock fell to $46⅞ from $48 in response to the earnings statement.

Earnings from operations rose 2 per cent, compared with the same quarter last year, but net earnings were down 8 per cent at $186m, or 78 cents a share, from $203m or 86 cents last time.

Revenues for the quarter amounted to $3.3bn, compared with $2.9bn last year.

A one-time charge for an early retirement programme reduced net earnings by about 3 cents per share.

About 780 US staff took early retirement during the quarter, the company said.

Year-to-year comparisons do not include the results of Apollo Computer, the work-station manufacturer acquired in May 1989.

For the six months ended April 30, net earnings declined to $359m or $1.50, against $396m or $1.69 last year. Net revenue was $6.4bn, up 16 per cent over the first half of 1989.

Dutch bank seeks control of EAB

By Alan Friedman in New York

AMRO, the Dutch commercial banking group, is seeking majority control of European American Bancorp (EAB), the 88-branch US bank that has the biggest independent retail branch franchise in suburban Long Island, outside of New York.

The Dutch bank yesterday confirmed it was in talks to acquire a 23.15 per cent shareholding in EAB owned by Générale de Banque of Belgium.

This would give Amro majority control because it already has a 20 per cent shareholding and an agreement to buy a 23.15 per cent stake in EAB now held by Deutsche Bank.

Neither Amro nor EAB would disclose the value of the transaction, which would achieve Amro's goal of establishing a retail presence in the US banking market.

Amro is awaiting approval from the Federal Reserve to acquire the 23.15 per cent EAB stake from Deutsche Bank. The Dutch bank said yesterday it hoped to have approval from the Fed, as well as agreement on the purchase of the Belgian-owned stake "within a short period of time".

EAB, with 2,500 employees and $5.29bn of assets, has been owned by a consortium of European banks since the mid-1970s, when it acquired the branch network of the Franklin National Bank, the New York bank whose failure was part of a international banking and fraud scandal.

In the first quarter of the current year, EAB suffered a loss of $79.2m, primarily as a result of the slump in the real estate market. EAB increased its real estate loan loss provisions by $94.5m in the first quarter, to $175.1m. The bank's total non-performing loans equal $258.9m out of a total loan book of $3.2bn.

If Amro succeeds in winning control of EAB it could still face a regulatory hurdle in the US. The Dutch bank in March announced merger talks with Algemene Bank Nederland, another leading Dutch institution which owns two Chicago banks.

INTERNATIONAL CAPITAL MARKETS

Euroclear, Cedel talks on settlement near collapse

By Andrew Freeman in Amsterdam

NEGOTIATIONS between the two international clearing organisations over settlement and trade matching projects that would save millions of dollars for Eurobond houses are close to breakdown.

Relations between Euroclear and Cedel have deteriorated to such an extent that their differences threaten to dominate the Association of International Bond Dealers' annual conference, opening in Amsterdam today. The AIBD attempts to mediate in the dispute have so far met little success.

Cedel, the smaller of the clearers, wrote to Euroclear last Friday asking for a renegotiation of the business agreement made between the two in 1980. The agreement covers the electronic bridge which allows book-entry settlement of transactions by counterparties in the other system.

In the letter, obtained by the Financial Times, Cedel said it intends to switch from daytime to overnight processing of transactions, in line with Euroclear. This would save users of the systems millions of dollars of interest charges caused by the existing bridge structure and allow Cedel users better cash management facilities. This would involve Cedel in a huge capital investment to upgrade its system.

It is understood Euroclear has agreed to meet Cedel later this month to discuss the long-term structure of the bridge, but has not conceded that the meeting will officially initiate a renegotiation of the bridge contract.

A separate correspondence this week casts doubt over the future of plans to introduce a joint network, owned and operated by the AIBD and the two clearers. The network, which in principle would make the market's communications costs cheaper by uniting trade reporting and settlement information in a single communications process, might not get off the ground due to differences over ownership and costs.

A meeting today between the parties is the last opportunity for negotiations before Friday's general meeting when AIBD officials are due to make a statement about the future of the network. The correspondence shows the two clearers are far apart on the basic terms of a network agreement, despite recently confirming its technical feasibility.

There is also continuing deadlock between the clearers over a solution to the AIBD's rule 221, governing settlement of new Eurobond issues. Euroclear recently rejected an AIBD proposal, stalling the implementation of the rule after months of negotiations. The clearers are in disagreement because rule 221 affects a proportion of trades crossing the bridge and therefore raises the wider bridge argument.

The AIBD is understood to have asked Euroclear to consider the appointment of independent consultants to review the problem. When this was first suggested it was rejected by Euroclear, but it now faces greater pressure to show it supports the interests of the market by allowing arbitration. Cedel said it is willing to accept the AIBD as an independent body.

Norway acts on options trading

By Karen Fossli in Oslo

NORWAY'S securities regulator has intervened to prohibit Norwegian brokers from trading options in Norwegian stocks in London on behalf of their own clients.

The move is designed to stop OM London, a subsidiary of the Stockholm options market (OM), from gaining an edge in trading options on Norwegian stocks until options trading is launched on the Oslo Stock Exchange later this month.

OML started trading options on three Norwegian stocks on May 11 and has offered products through its market place with clearing linked to the Stockholm OM to provide joint liquidity, open interest and real time trading information. OM needs the Norwegian business to keep that part of its London operation running.

Mr Eric Huitfeldt, an official of Kredittilsynet the regulator, said there was a law prohibiting Norwegian brokers from trading on other exchanges but it had not been strictly enforced because trading activity had been on a small scale.

Norwegian regulators fear options trading activity by Norwegian brokers will increase now OML has been established. The law is designed to prohibit stock exchange-to-stock exchange competition and privately it is admitted it may be protectionist in its purpose. Kredittilsynet is considering a plan for amendments to the law with a view to allowing Norwegian brokers to trade on other exchanges.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅞ 96	750	†96	96½	0	+0⅜	9.40
Alberta 9⅞ 95	600	100	100½	0	+0⅜	9.29
Austria 9⅝ 93	140	†100⅞	101⅜	0	+0¼	9.14
B.F.C.E. 8⅞ 94	175	†96⅞	97⅛	−0⅛	+0½	9.27
B.F.C.E. 9¼ 95	150	†99¼	99¾	−0⅛	+0⅝	9.35
Brit. Tel. Fin. 9⅞ 98	250	†98¼	99¼	−0¼	+0¾	9.53
Canada 9 96	1000	99⅝	100	0	+0⅝	9.07
C.C.C.E 9¼ 95	300	99½	100	−0⅛	+0⅝	9.30
Cr.Local France 8⅞ 99	250	†95⅜	95⅞	−0¼	+1⅛	9.50
Credit National 7⅞ 92	100	97	97⅜	0	+0¼	9.05
Credit National 9½ 92	160	†100½	101	0	+0½	9.12
Denmark 8¼ 94	150	†95⅜	96⅛	−0⅛	+0⅝	9.45
E.E.C. 7 91	100	97	97½	0	+0¼	8.92
E.E.C. 10 93	140	*102¼	102⅝	0	+0⅜	9.21
E.I.B. 8½ 99	150	94⅛	94⅝	−0⅛	+1⅛	9.40
Eurofima 10¼ 93	100	*102¼	102⅝	0	+0½	9.12
Elec. De France 9½ 99	200	*99⅞	99⅞	0	+0⅝	9.51
Euro Credit Card Tst. 9 95	750	97⅝	98⅛	−0⅛	+0⅜	9.56
Finland 9 96	250	†98⅛	98⅝	−0⅛	+0⅝	9.36
Fin. Exp. Cd. 8½ 92	200	98¾	99⅛	0	+0⅜	9.08
Fin. Exp. Cd. 9⅜ 95	200	*99⅝	100	0	+0⅜	9.41
Ford Motor Credit 8 91	250	†99	99½	0	+0¼	[illegible]
G.E.C.C. 10½ 91	300	†100⅞	101⅜	0	+0⅛	[illegible]
G.M.A.C. 8⅝ 94	500	†96⅝	97⅛	+0⅛	+0⅝	9.60
G.M.A.C. 9 96	300	†97⅞	98⅛	0	+1	9.43
Gen. Mtrs. Corp. 9⅛ 92	200	†99¼	99⅝	−0⅛	+0¼	9.42
Honda 9⅝ 97	300	99⅝	99⅞	−0⅛	+0⅞	9.74
IBM Credit Corp. 8⅝ 92	400	98⅞	99⅛	0	+0¼	9.05
IBM Credit Corp. 8⅞ 91	250	†99½	100	0	+0⅜	8.99
IBM Credit Corp. 9 92	250	99⅝	100⅛	0	+0⅜	9.03
IBM Credit Corp. 9½ 92	250	100⅝	101	0	+0⅜	9.06
Italy 8½ 94	1500	97	97½	0	+0⅜	9.25
Italy 9½ 95	1000	100½	101	+0⅛	+0⅝	9.29
Italy 9⅝ 99	1000	†100⅞	101⅜	−0⅛	+1⅛	9.42
Itoh C. W/W 4⅝ 94	1000	98¼	99⅛	−0⅛	+3½	4.83
Japan Dev. Bank 10 95	200	†102½	103	0	+0⅞	9.38
KFW Intl. Fin. 9 94	300	98¾	99¼	−0⅛	+0¼	9.26
L.T.C.B. of Japan 8¼ 95	200	95½	96¼	−0⅛	+0⅛	9.67
L.T.C.B. of Japan 9¼ 92	200	†99⅝	99⅞	0	+0⅜	9.38
New Zealand 9 94	850	98⅛	98⅝	−0⅛	+0⅛	9.45
Nippon Tel. & Tel. 8½ 96	200	95¼	95¾	0	+0⅞	9.43
Nippon Tel. & Tel. 9⅜ 98	250	†99⅛	99⅝	−0⅛	+1	9.47
Norway 8⅞ 93	500	†98⅞	99⅜	0	+0⅝	9.09
Oesters Kontbk. 9¾ 94	350	†99⅞	100⅜	−0⅛	+0⅝	9.45
Sumitomo Corp. W/W 4 93	1500	107⅛	108¼	+0⅛	+3⅜	1.48
Sweden 8¼ 96	200	†97⅛	97⅞	0	+0⅜	9.28
Toyota Mtr. Corp. W/W 4 93	1500	101½	102½	+0⅞	+0⅛	3.39
Victorian Rep 11⅛ 92	150	†103⅞	104⅜	0	+0⅜	9.22
Union Bk. Switz. 9⅜ 02	225	96⅜	96⅞	−0⅛	+1⅛	9.62
World Bank 8⅝ 99	1500	†95¼	95¾	−0¼	+1	8.92
World Bank 9 97	300	†98⅜	98⅞	−0⅛	+0⅝	9.28
World Bank 9 93	300	†99⅝	100	0	+0⅜	9.07
World Bank 9¼ 98	300	†99⅝	100⅛	+0¼	+1⅛	9.34
World Bank 9⅝ 99	500	†101¼	101¾	−0⅛	+1¼	9.35

Average price change... On day 0 on week +⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	88¼	88⅞	−0⅞	−0⅛	9.13
Austria 6¼ 99	750	86½	87⅛	−0¼	−0⅞	8.97
Bk. Frgn. Econ. USSR 7 96	750	—	—	—	—	—
Bank of Tokyo 5⅜ 93	100	91⅞	92⅜	+0⅛	+0⅛	9.06
Commerzbank o/s. 5⅜ 93	300	92	92½	0	+1	8.76
Credit Foncier 6¾ 99	500	†86	86½	0	0	9.07
E.I.B. 6¼ 99	600	83½	84⅛	−0¼	−0⅛	8.99
E.I.B. 6½ 99	300	85⅛	85⅝	−0¼	+0¼	8.94
E.I.B. 6⅝ 96	600	88⅞	89½	−0⅛	+0⅛	9.08
E.I.B. 6⅞ 95	300	90⅛	90⅝	−0⅛	−0⅛	9.13
E.I.B. 8 2000	500	96½	96⅞	−0⅛	0	8.57
Euro. Coal & Steel 7¼ 94	100	†95¼	95¾	0	−0¼	8.96
Eurofima 6¼ 96	100	86½	87⅛	0	+0⅛	9.15
Elec De France 5¾ 97	300	82⅞	83⅝	0	+0⅛	9.05
Hydro-Quebec 6¾ 99	300	85⅛	85⅞	0	0	9.21
Japan Dev. Bk. 5⅜ 95	300	84⅞	85⅝	+0⅛	0	9.22
Japan Finance 5¼ 97	100	82⅞	83⅜	−0⅛	−0⅛	9.20
[illegible]						

SWISS FRANC STRAIGHTS: [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 5⅝ 93	80	96½	96¾	−0⅛	+0⅞	6.83
Cr.Local France 6¼ 94	300	97½	97⅞	−0⅛	+0⅞	6.51
Denmark 6¼ 95	300	97¼	97⅝	−0⅛	+0¼	6.94
Denmark 7 95	400	100½	100⅞	−0⅛	+0⅜	6.83
E.I.B. 4⅞ 93	30	95	95¼	−0⅛	+0⅝	6.84
Norway 5⅝ 95	50	93⅜	93⅝	−0⅛	+0¼	6.73
Sweden 4⅝ 93	50	93⅞	94⅛	−0⅛	+0⅞	6.91
World Bank 5½ 98	10	88⅝	89⅛	+0⅝	+1⅛	7.01
World Bank 7 94	20	100⅞	101⅜	+0¼	+0⅝	6.66

Average price change... On day −0⅛ on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	91½	92	+0¼	+1	12.84
Abbey Nat. 11⅝ 93 £	100	93½	94	+0⅛	+0¼	14.49
Aegon 7⅛ 92 FL	100	97⅝	98	0	0	8.10
Alg. Bk. Ned. 5⅜ 93 FL	200	91½	92	0	+0⅛	9.17
Austria 7½ 94 ECU	100	90⅞	91¼	+0⅛	+0⅛	10.44
Barclays Aus. 13½ 91 A$	100	98¼	98½	0	0	14.77
Bell Canada 10⅞ 04 C$	200	91¼	91½	0	+2	12.17
BP Capital 9¼ 93 £	100	89⅝	90	+0¼	+0⅜	14.34
British Airways 10 98 £	100	81⅛	81⅞	0	+1	14.03
Brit. Telecom 9½ 93 £	150	†89	89½	0	+1¼	14.36
Comm. Bk. Aust. 12⅝ 93 A$	100	†94¾	95¼	0	−0¼	14.78
Comm. Bk. Aus. 13¾ 94 NZ$	60	100½	101½	0	0	13.37
Credit Foncier 9 96 Ecu	100	92⅞	93⅜	0	+0⅛	10.56
Credit Foncier 9⅛ 99 Ecu	150	93	93½	−0⅛	+0¼	10.45
Cr Local Fran. 10⅛ 95 Ecu	225	98⅝	99⅛	−0⅛	−0⅛	10.54
Deut. Bk. Aus. 13¼ 93 A$	125	97¾	98⅜	0	+0¼	14.05
Deutsche Bk. Fin. 15 94 A$	100	102⅞	102⅞	+0⅛	+0⅛	14.11
Elec. De France 9⅞ 99 C$	150	86½	87	−0⅛	+3	12.18
E.I.B. 7 96 LFr	100	91⅝	91⅞	+1⅛	+2⅛	8.92
E.I.B. 7⅛ 99 FL	150	88⅜	88⅞	0	+0⅛	8.97
E.I.B. 9 99 Ecu	150	91¼	91¾	0	0	10.51
E.I.B. 10 97 Ecu	800	97⅝	97⅞	−0⅛	+0⅛	10.46
Eurofima 7⅜ 94 Ecu	100	91⅝	92⅛	0	0	10.35
Fed. Bus. Dv. Bk. 9⅞ 92 C$	75	†94¼	94¾	0	+0⅜	12.95
Ford Cr. Can. 10⅛ 93 C$	100	†94¾	95¼	0	+0½	12.97
Ford Cred. Can. 10⅞ 96 C$	125	92½	93	−0⅛	+0¼	12.69
Ford Cred. Fund. 10⅛ 93 £	60	90⅛	90⅝	+0⅛	+0⅜	14.38
G.M.A.C. Canada 11 3/4 94 C$	100	97⅛	97½	−0⅛	+0⅞	12.67
Heineken 7⅜ 94 FL	150	95¾	96¼	0	−0¼	8.11
Hydro-Quebec 11 99 C$	400	93⅛	93⅝	−0⅛	+1⅛	12.25
Lloyds Bank 10¼ 98 £	150	82⅞	82¾	0	+1¼	14.06
Lloyds Bank 11⅝ 98 £	100	†86¼	86¾	0	+1	14.15
Nat. Aus. Bk. 14¼ 94 A$	100	99½	99⅞	+0⅛	0	14.91
[illegible]						

FLOATING RATE NOTES: [illegible]

CONVERTIBLE BONDS: [illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Stepping up the pressure on Tokyo

The US intends at talks in Tokyo next week to increase the pressure on Japan to speed the deregulation of its financial markets.

After a lull of some two years, arguments between the two countries over the pace of financial liberalisation could flare up again in the latest round of meetings which were first held in 1984.

After the last session in Washington last autumn, Mr David Mulford, the chief US negotiator, warned Japan he thought Tokyo was dragging its feet on implementing promises to open markets fully to foreign companies. In an article in the Financial Times, he wrote: "Japanese officials who suggest that the financial liberalisation process in Japan is largely complete are wrong.

Stefan Wagstyl previews talks on the deregulation of Japan's markets

"The standard of judgment must be not the relative one of how many changes have been made in the old system, but the absolute one of how close Japan is to a truly market-based financial system. . . The reforms so far are a start, but they have not changed substantially the way financial market business is conducted in Japan."

Mr Mulford's comments annoyed officials at the Japanese Ministry of Finance, many of whom believe Japan has successfully managed over the last few years enormous growth in the size and the sophistication of Tokyo's markets. Japanese officials concede deregulation is incomplete but firmly believe they are working on the right lines.

A finance ministry official said yesterday the Japanese side, headed by Mr Makoto Utsumi, the international vice minister, would next week outline the same general policy as before. He declined to say whether Japan would table specific proposals, but it is expected in Tokyo that the ministry will make some specific commitments.

Top of Washington's agenda is a demand for the total deregulation of interest rates. Japanese banks still have to pay market rates on only about 60 per cent of their deposits. US banks argue this gives the Japanese an unfair advantage.

Other demands include permission for Globex, a trading system for financial products run by the Chicago Mercantile Exchange, to operate in Tokyo, better access for foreign companies to manage Japanese investment funds and greater freedom for Japanese individuals and companies to own investment accounts overseas.

The Japanese finance ministry is considering plans for full interest-rate deregulation on term deposits by 1993 and may give a pledge on this point next week. But the US side would like liquid deposits – including current accounts – included in the programme.

However, US officials say they want to stop "fighting over individual problems." They want "a change in attitude" so that the market in Tokyo becomes as open to outsiders as London and New York.

In a survey carried out last year by the Japan Centre for International Finance, a study group funded by the Japanese Ministry of Finance, 113 foreign companies said Japan had made progress in deregulation in the previous two years but it still lagged well behind the other two main financial centres.

The US Administration is under pressure from Congress to get tough with Japan on financial issues. The US Treasury is preparing for Congress a report on the extent to which US companies are denied "national treatment" in Japan, that is the extent to which they are not treated by the authorities the same as Japanese companies.

In January, Senator Jack Garn and Senator Donald Riegle jointly sponsored a bill which would increase the Administration's powers to force foreign countries to open their financial markets, including powers to take retaliatory action against Japanese companies in the US.

McDonnell debt rating lowered

By Paul Abrahams

MCDONNELL Douglas, the US aerospace and defence company, has had its senior and subordinated debt rating lowered by Moody's Investors Service, the US credit rating agency. Moody's made the decision after McDonnell Douglas' persistent negative cash flow. It said falling profits had been caused by expanding working capital requirements.

INTERNATIONAL CAPITAL MARKETS

BT launches Ecu100m deal despite volatile conditions

By Stephen Fidler, Euromarkets Correspondent

TWO NEW Ecu-denominated Eurobonds, the larger for British Telecom, were launched yesterday against a background of volatility in European bond markets.

That volatility was apparently sufficient to delay a larger issue in the currency expected from the World Bank, which was said yesterday morning to be in serious discussions about tapping the market.

INTERNATIONAL BONDS

Weakness in the US Treasury market and the absence of traders because of the Association of International Bond Dealers conference in Amsterdam subdued a market which was anyway taking time to digest the heavy new issue volume of earlier in the week.

The Ecu100m British Telecom issue, carrying a five-year maturity and a 10⅝ per cent coupon, was lead managed by Bank of Tokyo Capital Markets – the first significant Ecu-denominated to be brought to market by a Japanese bank this year.

However, the lead manager said the issue would be broadly distributed, with a significant portion going over time to retail investors in continental Europe.

According to dealers, there appeared to be no huge demand for Ecu from Japanese accounts, but they said the issue was fairly priced, to allow a slight pick-up in yield over comparable AAA-rated issues.

It was trading at a discount to offer price inside total fees. The lead manager declined to confirm whether proceeds were swapped, although dealers figured they would be switched into floating-rate sterling.

The high coupon and two-year maturity of the other issue, for Compagnie Bancaire through Paribas Capital Markets, suggested it would head over time into retail hands, mainly in the Benelux countries. Kredietbank was joint lead manager.

In US dollars, Skandinaviska Enskilda Banken brought a $100m floating-rate note, which as subordinated debt would supplement its Tier II capital.

The 10-year notes, whose interest margin increases to 45 basis points from 25 basis points at year five, were distributed mainly to European fund management accounts, according to the lead manager, Goldman Sachs.

In the West German market, prices swung about on small volumes, ending the day about 40 pfennigs lower. Worries about the costs of unification – made more immediate by the announcement due on Friday of the terms of a new 10-year federal government issue – continues to depress the market.

The DM750m, 8¾ per cent issue, due in 2000, closed at 98.35, a loss of 40 pfennigs on the day but off the day's low of 98.15.

The Swiss market continued to be insulated from the troubles of the other European bond markets.

Most prices in the primary sector were little changed from Tuesday's levels.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
British Telecom Finance(a)♦	100	10⅝	101.675	1995	1⅞/1¼	Bank of Tokyo Cap. Mkts
Compagnie Bancaire(a)♦	60	11	101.85	1992	1⅛/⅝	Paribas Capital Markets
US DOLLARS						
Skand.Enskilda Banken(c)‡♦	100	)(c)	100	2000	26/16bp	Goldman Sachs Int.
AUSTRALIAN DOLLARS						
Tasmanian Public Fin.Corp(a)♦	50	15¼	101.40	1993	1½/1	Deutsche Bank Cap. Mkts
Swedish Export Credit(b)♦♦	50	16	101¾	1991	1/⅝	Bankers Trust Int.

Floating rate notes. ♦Dual-currency bond. ♦Final terms. a) Non-callable. b) Borrower option to redeem bond in US$ at 0.735. c) Coupon pays 25bp over 6-month Libor years 1-5, 45bp over 6-month Libor years 6-10. Call after five years at par and on coupon dates thereafter.

Mortgage-backed securities guidelines

By Janet Bush in New York

THE US Comptroller of the Currency has drawn up new, draft guidelines which will recommend that the vast majority of commercial banks do not buy certain mortgage-backed securities products because of the high level of risks involved.

The guidelines provide yet more evidence that regulators are concerned about the financial health of commercial banks and their investments.

The broad message of the report is that various derivative instruments in the mortgage-backed family are unsuitable for most banks because they need a sophisticated understanding and hold a high level of interest rate risk.

The guidelines mention tranches or companion securities to Collateralized Mortgage Obligations with an average weighted life of more than seven years and companion tranches whose weighted average life varies by more than seven years in response to interest rate movements of more than 300 basis points.

The concern in the mortgage market is that commercial banks may be more reluctant to invest in the CMOs themselves if they are discouraged from buying the companion securities.

Challenge to byzantine reinsurance secrecy

Deborah Hargreaves on a plan to launch a revolutionary futures contract in Chicago

THE Chicago Board of Trade's decision yesterday to file two reinsurance futures contracts for approval with the futures industry regulator marks the culmination of a 20-year effort to tap the multi-billion dollar US insurance market.

The pursuit of a reinsurance futures product has been so fiercely competitive that the CBOT is expected to take the unusual step of asking the Commodity Futures Trading Commission to restrict publicity on the details of the contracts until they are approved.

However, the contract's proponents are eager to publicise their altruistic aims. Reinsurance futures, they say, will benefit the public by bringing down the US's staggering insurance costs, particularly for healthcare policies.

The creation of a viable futures contract for insurance is a formidable task which exchanges around the world have been pursuing for many years. If the contracts are a success, they could break open the cosy arrangement by which insurers negotiate private reinsurance contracts, the prices of which are never disclosed.

The sort of byzantine secrecy that dominates the close-knit reinsurance industry is extremely difficult for the uninitiated to penetrate. Lloyd's of London has grown into the fulcrum of the reinsurance industry as a prominent centre where marine and aviation insurance is underwritten.

In fact, an initiative to launch a reinsurance futures contract in London was scuppered early last year when Lloyd's was opposed to it.

The consulting group working with London's International Commodities Clearing House had developed a product that could be applied principally to marine, but also to other sectors of property-casualty insurance.

The CBOT, on the other hand, is aiming at two fairly small sections of the property-casualty insurance market by basing its contracts on car collision and healthcare reinsurance. By concentrating on these two specific sectors, the CBOT is hoping to overcome one of the main drawbacks which faces a nascent derivatives market in reinsurance and that is the lack of homogeneity in the underlying insurance market.

The CBOT's products are expected to be based on a basket of insurance policies which will be selected by insurers registered with the exchange. These policies will run for a year before being renegotiated.

The futures contracts will be settled in cash which will mean buyers receive a payment equal to the difference in the value of premiums paid on the policies and claims made. Policies on healthcare and cars can be lumped together fairly easily in a basket since the products – cars and people – can be put into similar groups.

Past attempts have looked to develop indices of insurance policy prices, but this is made more difficult by the lack of transparency in reinsurance pricing.

The CBOT says its contracts will be aimed at buyers of reinsurance who want to lock in a price for insurance they may want to buy in the future. There already exists some over-the-counter business in this area where a sort of forward contract is negotiated.

Brokers often arrange the deals between insurers and reinsurers, but there is no public pricing in the market. The creators of the futures contracts believe they will encourage the underlying reinsurance market to become more accessible and transparent.

The industry itself remains sceptical and is suspicious of reinsurance contracts, which it says are very private, personal arrangements between firms, being treated like a commodity. In addition, the CBOT will have to get around certain restrictions that are imposed on insurance companies by state regulators in the US. Some companies, for example, are limited in their participation in the futures markets and some states fix ceilings for insurance premium costs.

"The result of these contracts will be to turn reinsurance policies into a more standardised agreement," commented Richard Sandor, head of capital markets at Banque Indosuez and one of the contracts instigators.

"As you standardise a contract you make it a much more valuable tool because you save negotiating costs for individual insurance companies."

Reinsurance buyers in London yesterday remained sceptical about such a new concept for an untested product.

A large group of leading underwriters in London has commissioned a review of the entire UK insurance market which is being conducted by Spicer Oppenheim.

The study is currently analysing the market with a view to developing strategies for the future. Its brief will take in the development of derivatives as well as technological improvements to the market.

Bunds see-saw on unification funding requirements

By Deborah Hargreaves and Karen Zagor in New York

IT WAS another choppy day for West German bond prices yesterday as the market reacted to contrasting comments on the funding requirements for unification. Although bund prices oscillated in a fairly wide range, the market closed virtually unchanged from Tuesday's level.

GOVERNMENT BONDS

The yield on the 7¾ per cent 10-year bund closed at 8.69 per cent – just 1 per cent higher than on Tuesday – but bund futures rose by 10 to 15 pfennigs. The German market is still trying to find its direction amid repeated concern about new issues. The market opened sharply lower, but was boosted by the Bundesbank's injection of DM3.1bn into the system.

After that, prices see-sawed in response to comments from the Finance Ministry that the planned corporation tax cuts may be shelved in a bid to raise money for unification which were followed by a statement from Mr Helmut Kohl, the West German Chancellor, that tax increases were not needed to provide cash for unification.

With Bonn's planned launch of a German unity fund and its aim to raise DM95bn by the end of 1994, the market is expecting a range of bund issues along the yield curve with the short end being tapped much more than it has in the past.

■ THE THIN UK market is still trying to find its way amid the volatility that has dominated trading in gilt-edged securities for the past week. Gilts prices were off by about ⅛ of a point at the close of the market after being much lower in the course of the day.

The news that workers at ICI had rejected a 9.4 per cent pay settlement last night is a point of concern to the market, which will have its effect on prices today.

In addition, labour statistics due to be released today could move the market. Some analysts are expecting them to show a rise in unemployment for the first time in three years which, as a sign of a reduction in pressure on wage settlements, could give gilt prices a boost.

■ US Treasury bond prices continued to erode yesterday as traders took profits, although yields remained well above last week's pre-rally levels.

In late trading, the Treasury's bellwether 30-year bond was down ¼ point at 101⅛, a price at which it yielded 8.64 per cent after falling about 7/16 point earlier in the day. A week ago, when the market was still worried that the Federal Reserve might tighten monetary policy, the long bond yielded 8.87 per cent.

There was less movement at the shorter end of the yield curve, where the treasury's four-year issue was down 1/16 point to yield 8.62 per cent.

The Federal Reserve added liquidity to the banking system by executing a round of overnight system repurchase agreements when Fed Funds were trading at their opening level of 8¼ per cent. In late trading, Fed Funds changed hands at 8 per cent.

The bond market was unmoved by news that April's consumer prices had risen by a 0.2 per cent, marginally less than the 0.3 per cent gain many analysts had expected. In February and March, the CPI rose 0.5 per cent, following a rise of 1.1 per cent in January.

Market analysts at Griggs and Santow said the recent fall in bond prices indicated that traders saw the recent gains as an adjustment to an oversold market rather than the start of a significant rally in bonds.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	92-09	-02/32	13.27	13.46	13.38
		10.500	5/99	89-09	+0/32	12.52	12.73	12.59
		9.000	10/08	81-30	-04/32	11.35	11.55	11.52
US TREASURY *		8.750	05/00	101-10	-06/32	8.67	8.88	8.63
		8.500	02/20	101-06	-08/32	8.64	8.86	8.59
JAPAN	No 119	4.800	6/99	87.7692	-0.439	7.00	7.22	7.30
	No 2	5.700	3/07	90.5068	-0.282	6.92	7.04	7.20
GERMANY		7.750	02/00	94.0000	-0.100	8.67	8.47	8.63
FRANCE	BTAN	9.000	02/95	98.3286	-0.035	9.88	9.81	10.02
	OAT	8.500	03/00	93.4400	+0.140	9.54	9.47	9.59
CANADA *		9.750	05/00	90.1000	+0.100	10.95	11.32	11.43
NETHERLANDS		7.750	01/00	92.2200	+0.100	8.97	8.83	8.93
AUSTRALIA		12.000	7/99	91.6374	+0.002	13.63	13.61	13.35

London closing, *denotes New York closing session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed May 16 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue May 15 Index No.	Mon May 14 Index No.	Fri May 11 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (199)	840.13	+0.7	13.82	5.39	8.76	15.78	834.62	836.48	827.96	976.59
2	Building Materials (27)	1035.32	+1.4	15.25	5.74	8.10	21.22	1020.83	1020.75	1016.58	1244.90
3	*Contracting, Construction (36)*	1312.97	+0.8	18.46	6.25	7.08	33.20	1302.29	1301.22	1291.68	1703.52
4	Electricals (10)	2400.07	+0.2	11.85	5.58	10.38	61.43	2395.37	2414.69	2404.93	2846.13
5	Electronics (29)	1821.83	+0.5	9.97	4.07	12.98	19.33	1812.55	1809.15	1769.01	2233.41
6	Engineering-Aerospace (8)	446.11	+0.4	14.60	5.22	8.17	9.31	444.34	445.57	443.66	0.0
7	Engineering-General (43)	455.98	+0.3	12.50	5.49	9.67	8.17	454.81	457.39	455.37	0.0
8	*Metals and Metal Forming (6)*	482.51	+0.8	24.35	6.46	4.63	0.53	478.69	482.22	476.47	552.69
9	Motors (16)	330.87	+0.2	16.71	6.81	6.99	9.56	330.08	331.04	328.01	319.51
10	Other Industrial Materials (24)	1523.42	+0.6	11.64	5.23	9.92	33.09	1514.90	1520.95	1503.24	1644.44
21	CONSUMER GROUP (178)	1213.30	-0.2	9.94	4.09	12.47	12.56	1215.35	1212.78	1197.15	1218.19
22	Brewers and Distillers (21)	1433.91	-0.3	10.44	3.90	11.61	12.62	1437.95	1430.89	1406.17	1326.82
25	Food Manufacturing (20)	1052.92	+0.1	10.64	4.47	11.65	16.98	1051.89	1052.80	1039.36	1047.05
26	Food Retailing (16)	2283.63	+0.7	9.92	3.55	12.95	22.97	2267.35	2258.17	2236.25	2210.35
27	Health and Household (14)	2493.07	-1.6	6.93	2.79	17.18	20.36	2533.58	2541.74	2497.91	2268.86
29	Leisure (32)	1365.04	+0.3	10.57	4.37	11.54	18.28	1360.46	1346.97	1338.17	1652.50
31	Packaging & Paper (12)	562.32	+0.2	13.04	6.03	9.80	11.83	561.22	562.29	558.74	579.04
32	Publishing & Printing (16)	3228.22	+0.5	10.38	5.56	12.14	50.81	3212.00	3227.19	3203.47	3581.85
34	Stores (35)	746.43	+0.5	11.98	5.06	10.76	2.25	742.60	737.77	728.38	817.75
35	Textiles (12)	462.16	+1.4	14.55	7.71	8.66	13.26	455.61	454.24	460.33	532.84
40	OTHER GROUPS (105)	1112.44	+0.8	11.51	5.14	10.44	10.37	1104.08	1103.91	1088.90	1111.17
41	Agencies (17)	1557.71	+0.9	6.39	2.53	18.88	14.99	1544.01	1546.33	1535.70	1407.95
42	Chemicals (23)	1211.20	+0.7	11.75	5.45	9.95	28.52	1202.74	1206.39	1189.33	1255.21
43	Conglomerates (14)	1574.61	+0.1	10.71	6.26	11.22	14.41	1573.07	1576.59	1531.34	1598.70
44	Transport (13)	2147.91	+0.6	11.13	4.58	11.42	26.91	2135.28	2141.42	2125.84	2450.89
46	Telephone Networks (2)	1103.12	+1.1	11.51	4.65	11.30	0.00	1090.68	1082.99	1070.83	1161.20
47	Water (10)	1894.50	+0.3	18.39	7.15	6.02	0.00	1888.39	1886.96	1867.20	0.00
48	Miscellaneous (26)	1715.50	+1.3	12.11	4.94	9.42	18.70	1693.36	1694.64	1684.17	1490.82
49	INDUSTRIAL GROUP (482)	1101.46	+0.3	11.39	4.74	10.70	13.32	1097.89	1097.41	1083.75	1147.80
51	Oil & Gas (18)	2271.77	+1.2	11.93	5.35	11.07	46.43	2244.03	2256.74	2193.02	2022.52
59	500 SHARE INDEX (500)	1198.84	+0.5	11.46	4.83	10.75	15.95	1193.41	1193.93	1176.37	1222.37
61	FINANCIAL GROUP (109)	764.52	+0.3	–	5.99	–	18.66	762.06	765.39	754.04	757.35
62	Banks (9)	815.48	+0.6	20.19	6.59	6.49	25.62	810.24	816.19	800.48	758.47
65	Insurance (Life) (7)	1293.50	-0.9	–	5.68	–	36.94	1304.64	1312.81	1275.15	1077.77
66	Insurance (Composite) (7)	637.78	+0.1	–	6.48	–	19.43	637.00	638.92	628.25	600.72
67	Insurance (Brokers) (7)	1049.61	......	8.24	6.20	15.98	27.41	1049.11	1075.51	1066.85	999.51
68	Merchant Banks (7)	421.39	+1.4	–	4.52	–	4.85	415.61	414.00	412.02	330.57
69	Property (47)	1070.33	+0.5	8.26	4.26	15.45	8.35	1065.10	1062.59	1061.19	1335.14
70	Other Financial (25)	297.79	+0.1	14.97	7.50	8.76	4.54	297.50	297.25	295.70	377.59
71	Investment Trusts (67)	1167.31	+0.4	–	3.29	–	10.73	1163.01	1165.16	1149.12	1170.38
91	Overseas Traders (5)	1288.85	+1.0	9.57	7.08	12.80	42.87	1276.03	1287.46	1283.42	1390.40
99	ALL-SHARE INDEX (681)	1094.43	+0.4	–	4.96	–	16.34	1089.69	1090.89	1074.94	1108.69

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 15	May 14	May 11	May 10	May 9	Year ago
FT-SE 100 SHARE INDEX‡	2221.1	+8.9	2237.1	2213.2	2212.2	2214.5	2175.9	2157.0	2162.7	2155.8

FIXED INTEREST

	PRICE INDICES	Wed May 16	Day's change %	Tue May 15	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	113.68	+0.04	113.64	–	4.71
2	5-15 years	117.58	-0.05	117.64	–	4.96
3	Over 15 years	121.52	-0.01	121.52	–	4.77
4	Irredeemables	137.09	-0.57	137.88	–	6.12
5	All stocks	118.38	-0.02	118.41	–	4.91
	Index-Linked					
6	Up to 5 years	143.78	-0.05	143.83	–	1.49
7	Over 5 years	135.36	+0.05	135.29	–	1.38
8	All stocks	135.88	+0.05	135.82	–	1.38
9	Debentures & Loans	95.73	+0.53	95.23	–	3.92
10	Preference	73.65	-0.22	73.81	–	2.52

	AVERAGE GROSS REDEMPTION YIELDS		Wed May 16	Tue May 15	Year ago (approx.)
	British Government				
1	Low	5 years	11.64	11.61	9.57
2	Coupons	15 years	11.32	11.24	9.24
3		25 years	11.19	11.10	9.06
4	Medium	5 years	12.92	12.92	10.74
5	Coupons	15 years	11.74	11.73	9.69
6		25 years	11.26	11.24	9.25
7	High	5 years	13.03	13.02	10.85
8	Coupons	15 years	12.07	12.05	9.91
9		25 years	11.57	11.54	9.42
10	Irredeemables†		11.16	11.08	9.06
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.40	5.38	3.51
12	Inflation rate 5%	Over 5 yrs.	4.27	4.28	3.58
13	Inflation rate 10%	Up to 5 yrs.	4.28	4.26	2.63
14	Inflation rate 10%	Over 5 yrs.	4.08	4.08	3.42
15	Debs &	5 years	14.90	14.89	12.14
16	Loans	15 years	13.76	13.81	11.57
17		25 years	13.42	13.51	11.13
18	Preference†		12.57	12.54	10.18

‡Opening index 2213.2; 9 am 2224.4; 10 am 2228.3; 11 am 2227.5; Noon 2224.8; 1 pm 2229.8; 2 pm 2236.5; 3 pm 2234.9; 4 pm 2223.7; 4.10 pm 2223.3; (a) 2.27pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	21	43	34
Corporations, Dominion and Foreign Bonds	0	6	18
Industrials	461	253	873
Financial and Properties	217	121	398
Oils	34	13	43
Plantations	1	2	7
Mines	40	40	82
Others	92	38	116
Totals	866	516	1,571

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings May 8
- Last Dealings May 18
- Last Declarations Aug. 2
- For settlement Aug. 13

For rate indications see end of London Share Service

Calls in Aviva Pet., Bolle Mining, Colorell, Mosaic Invs. and Tusker Res. Put in Mecca Leis. Put and call in Brent Walker.

LONDON TRADED OPTIONS

THE SQUEEZE in the futures and options markets started to ease yesterday as the recent strong buying of index futures and selling of index option calls lessened. But the markets opened firmly and looked as if they would repeat the pattern of recent days, with gains made and sellers absent.

The FT-SE June index contract spent most of the morning around 40 points above the spot index on UK institutional buying. Dealers also noted some limited arbitrage buying of futures and selling of stock.

During the afternoon, however, the cash market led the way, retreating from its highs as Wall Street eased. At first the futures market did not respond to the cash market's weakness, but as the afternoon wore on, sellers appeared, and the premium narrowed to around 30 points.

At the close, the June futures contract stood 35 points above the FT-SE index. Dealers remarked that the futures market's rally had begun to look tired.

Market participants estimated that the institutions had bought less futures contracts than in previous days but continued to favour its liquidity compared with the equity market. Institutions had been straight buyers of futures and had not linked their purchases to sales of stock, dealers said.

The difficulty of dealing in an increasingly less liquid stockmarket made futures an attractive cheap hedge, they said. In the options market, some investors were said to have attempted to profit from the recent stock-market rise by selling calls against stock.

The FT-SE index options were actively traded again, though deals tended to be smaller than in recent days. Total index option turnover stood at 10,161 contracts, up slightly on the previous session.

Yesterday's total was divided between 5,590 puts and 4,571 calls. The May 2,250 calls were the busiest, trading 1,402 contracts.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allid Lyons (*450)	420	34	53	62	9	12	17
	460	12	28	35	31	33	37
	500	3	15	–	65	66	–
ASDA (*101)	90	16	17	21	3	5	6
	100	8	10½	15	6	8½	9
	110	4	6	–	12	15	–
Brit. Airways (*203)	180	24	29	33	2	3½	6
	200	8½	15½	22	9	11	12
	220	2½	7	12	24	25	26
SmKl Beecham A (*514)	460	62	77	90	4	9	12
	500	32	48	63	13	20	26
	550	9	24	–	42	49	–
Boots (*271)	260	17	25	32	8	11	12
	280	5½	14	22	19	21	22
B.P. (*324)	300	33	41	49	2½	5½	7½
	330	11½	20	29	11½	15	18
British Steel (*145)	140	8	11	15	4½	6½	7½
	160	1½	3	–	27	27	–
Bass (*987)	950	62	97	115	16	27	35
	1000	33	68	83	37	42	50
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Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Unilever (*667)	650	42½	68½	87½	11	17	21½
	700	15½	39½	–	38	42½	–
Ultramar (*340)	330	25	38	50	9	15	18
	360	9	22	35	27	32	32

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*510)	500	17	45	53	7	20	27
	550	1½	20	28	45	47	52
BAA (*400)	390	12	26	37	3½	13	17
	420	2	11	26	22	26	32
BAT Inds (*693)	659	36	70	–	1	10	–
	709	5	35	60	21	27	35
BTR (*400)	390	13	33	42	3	11	15
	420	1½	16	26	22	25	31
Brit. Telecom (*266)	260	8	17	25	1½	9½	11
	280	1	7	15	15	22	23
Cadbury Sch (*323)	300	24	38	46	1	6	8
	330	3½	18	28	11	17	21
Guinness (*674)	650	26	57	78	3	14	21
	700	2	28	50	30	34	40
[illegible]							

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Barclays (*538)	500	47	60	76	3	14	16
	550	11	28	46	22	33	35
Blue Circle (*218)	200	21	30½	37	2	4	7
	220	7½	15½	24	9½	12	16
British Gas (*212)	200	14½	18½	24	2	6	8½
	220	3½	7½	14	10	17	19
Dixons (*127)	120	12½	16	21	7	11	12
	130	7½	13	15	12	16	19
Glaxo (*785)	775	37	–	–	17	–	–
	800	22	55	70	30	40	47
Hawker Sidd. (*636)	600	58	88	103	6	25	35
	650	18	55	60	25	40	60
Hillsdown (*245)	240	14	25	30	5½	9	12
	260	4	14	21	19	19	22
Lonrho (*229)	218	18	26	35	5	8	11
	236	7	15	24	12	18	20
Midland Bk (*294)	280	23	33	47	8	17	20
	300	11	23	37	16	25	30
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UK COMPANY NEWS

Profitable activity of failed developer sold to BAe offshoot

Dutch buy R&T contracting side

By Andrew Taylor, Construction Correspondent

A LARGE part of the contracting businesses of Rush & Tompkins, the failed development group, have been sold to Ballast Nedam, the Dutch contractor acquired by British Aerospace at the end of 1987.

Although based in the Netherlands, Ballast has worked in the UK for more than a decade. It is a broadly based building and civil engineering group with special expertise in marine engineering and dredging.

It has acquired three of the four Rush & Tompkins regional contracting businesses, covering the south-east, south-west and north of England.

Mr Christopher Morris, a partner of accountant Touche Ross and a joint receiver at Rush & Tompkins, said last week that several approaches had been made by overseas buyers interested in the contracting businesses which had remained profitable.

Rush & Tompkins failed due to a sharp fall in demand for its property developments and owes banks about £300m on property loans either directly or through a series of joint ventures undertaken by the group.

A full statement of the group's financial position is not expected to be made for two months when a series of creditors meetings are due to be arranged.

However Mr Morris has warned that shareholders are not expected to receive anything. He also said he was not "sanguine" about the position of Rush & Tompkins' trade creditors which are owed tens of millions of pounds.

Ballast has not disclosed the price it has paid for the Rush & Tompkins businesses, although creditors will have to be told when meetings are eventually arranged.

The new acquisitions will be established in a company to be headquartered in Bromley, Kent. Its directors will include a number of former Rush & Tompkins employees, including Mr Mike Robertshaw who will become managing director. Formerly he was managing director of Rush & Tompkins' south-east contracting division.

Mr Jan Holleman, a director of Ballast, will be chairman of the new company.

Ballast was established more than a century ago and last year had a turnover of £450m. BAe acquired the group two years ago to enable it to offer a complete service to customers from military hardware sales to construction of barracks, training facilities, hospitals and other military installations.

Christopher Morris — not sanguine about trade creditors

Avon profits deflated 20% to £4.8m

By John Thornhill

HIGHER COSTS, weaker markets and President Mikhail Gorbachev combined to reduce Avon Rubber's pre-tax profits by nearly 20 per cent from £6.03m to £4.84m in the half year to March 31.

The City had been expecting weak results after the company warned in February of difficult trading conditions and Avon's shares yesterday rose 7p to 460p.

The tyres, inflatables and industrial polymers company reported virtually unchanged operating profits of £10.93m (£10.95m) but higher interest costs and depreciation charges reduced this at the taxable level.

Sales slipped slightly to £111.67m (£115.23m) as the company experienced lower demand in all divisions due to destocking in the UK and the US and a particular weakness in Avon's defence related businesses.

Mr Tony Mitchard, chief executive, said: "My personal view is that the defence market is going to be an increasingly difficult one.

There is no question that Mr Gorbachev has made a very big difference and that is great for the human race but it gives companies like ours some short term problems."

Avon has about 10 per cent of its business in the defence field.

The half year saw a substantial re-jigging of Avon's businesses as last summer it shed its 70 per cent interest in the loss-making Motorway tyre distribution business and acquired the US Cadillac rubber and plastics business.

Cadillac contributed about £1.2m to profits although it experienced a tough trading period due to severe cutbacks in the US automotive industry.

Avon's interests in industrial polymers also suffered from unfavourable market conditions although the company claimed its market share had held up well.

The company's interests in tyres and inflatables experienced cyclical weakness but stronger performances are expected from both areas in the second half.

The directors declared an unchanged interim dividend of 5p but earnings per share fell heavily to 13.7p (21.7p).

● **COMMENT**

In normal conditions, Avon reckons that its markets balance themselves out: although some areas may be cyclically weak others can be counted on to be relatively buoyant. But this time round, Avon bemoans, every market has been queered at the same time. Whether it is the steep fall in the US car market or the slackening of demand for the company's defence related products, Avon has been hit hard in every field. Stripped of Cadillac's £1.2m contribution this set of figures would have looked even more sickly showing just how tough Avon's markets have been. Still, the company believes that there are signs of hope in some areas which should help restore profits in the second half. Given a dose of luck, pre-tax profits might still creep above last year's £12m giving a prospective p/e of over 12. This seems more than generous given the short-term fundamentals, however rosy the prospect may look further out, but the shares are unlikely to drift too far given Trelleborg's 4.8 per cent stake and speculation about the long-term intentions of the Swedish group.

Greenall boosted by property and hotels

By Vanessa Houlder

GREENALL WHITLEY, the brewery and hotels group, achieved a 21.5 per cent increase to £23.74m in pre-tax profits for the six months to March 30 as property disposals and a strong performance from the hotels side helped offset flagging beer sales.

Turnover increased by some 4 per cent from £234.2m to £243.5m.

Mr Andrew Thomas, managing director, said that a decision on whether to retain the brewing interests, which account for about 20 per cent of the business, would be taken later this year.

Profits from brewing fell as a result of declining beer sales in the north west, although savings were made following the closure of Davenports Brewery. Operating profit from pubs and brewing increased from £15.45m to £16.42m.

The hotels side increased operating profits from £6.72m to £8.35m, thanks to a strong performance from De Vere

The interim dividend is increased to 4p (3.3p).

● **COMMENT**

Little by little, Greenall Whitley is coming in from the cold. In the past, critics claimed that its pedestrian results, its ill-starred foray into the US and its weak beer brands made it ripe for a takeover bid were it not for its restricted voting structure. But recently it has been given credit for a bolder strategy, marked by the disposal of its bingo and vodka businesses and its focus on pub catering and four star hotels, which are proving relatively resilient to the pressures on consumer spending. The market has also been reassured by Greenall's apparent reluctance to pay inflated prices for hotel chains. Nonetheless, some uncertainty must hang over the group's prospects until a decision is reached on the likely sale of the brewing interests. In the meantime, the shares, which yesterday rose 8p to 309p, are fairly valued on a p/e of 9.5, assuming profits of £60m this year.

NatWest in talks about purchase of French bank

By George Graham in Paris and David Barchard in London

NATIONAL Westminster Bank, the UK clearing bank, is in "exclusive discussions" to buy Européenne de Banque from Crédit Commercial de France (CCF), the French commercial banking group privatised in 1987.

Both sides refused to comment on the possible price for Européenne de Banque, which made net profits of FFr61.7m last year and has, with shareholders' funds of FFr460m (£49m) and total assets of FFr13.8bn, a Cooke capital adequacy ratio of over 10 per cent.

"We are as silent as carps on the price," said Mr Pierre Esteva, chairman of NatWest's French subsidiary.

The acquisition, if completed, would more than double NatWest's network in France, where its presence has traditionally lagged behind Barclays and Midland.

At present NatWest has 10 branches in France and a wholly-owned stockbroking subsidiary, Sellier. The bank said yesterday that it was building up its presence in Europe by concentrating on acquisitions in premium personal and mid-market commercial business.

One particular feature of Européenne de Banque which is understood to attract NatWest is the French bank's direct sales force.

The purchase would give NatWest a substantial asset management business for high net worth customers through its subsidiary Laffitte Investissement, one of only three networks of financial advisers in France.

Européenne de Banque was formerly Banque Rothschild, but it was nationalised in 1982 along with most of the rest of the French banking sector. In spite of its prestigious name, however, it was in a pitiful financial state, with cumulative losses of FFr766m in 1982-84.

From 1983 onwards the government began to move it under the wing of CCF, which finally took full control in 1985, the year that Européenne de Banque began to make profits again.

Nevertheless, it was still making heavy provisions for bad debts in 1986 and 1987, including both Latin American sovereign debt and the Chaumet jeweller's bankruptcy.

CCF had said that it would not consider disposing of Européenne de Banque until it was fully restored to health, and then only with the full agreement of its management. It began to receive propositions from a number of foreign banks this year, and NatWest was the candidate chosen by Européenne de Banque's managers.

Besides the 24 offices of Laffitte Investissement, Européenne de Banque has 16 branches, eight of them in Paris, and around 50,000 mainly high income clients.

It also has some FFr21bn of funds under management. NatWest's French network totals 10 branches, following the acquisition two years ago of five branches from Banque de l'Union Européenne, another French bank belonging to the CIC group.

Leucadia lifts Molins offer to £83m and raises stake

By Andrew Hill

LEUCADIA National Corporation has increased its hostile offer for Molins from £76m to £83m, and raised its stake in the cigarette machinery manufacturer to 40.1 per cent.

Molins immediately rejected the 275p per share cash bid, which the US manufacturing and financial services company declared final. The bid will close on May 30.

The Molins share price, which had stayed stubbornly above the original offer price of 252p, rose 6p yesterday to match the new bid.

The increased offer and Leucadia's purchase of more shares in the target followed Tuesday's announcement from the predator that it would not raise its bid unless it was able to buy further Molins shares. That hit the share price and persuaded Molins shareholders to give up about 5.4 per cent of the group's equity to Leucadia at 275p each.

Leucadia yesterday hit back at Molins, which had accused the publicity-shy predator on Tuesday of "covert manoeuvrings", and selective canvassing of certain institutional shareholders.

The US company said it was saddened by Molins' "shoddy reaction" to Tuesday's announcement and claimed it had simply wanted to keep the public informed about its intentions.

However, Mr Michael Wright, Molins' managing director, said yesterday: "They beat the bushes fairly thoroughly [on Tuesday] and got themselves 1.5m shares, but there are another 20m out there that they didn't get. They've got a long way to go."

In its circular, Leucadia claimed that the absence of a profits forecast in Molins' latest defence raised doubts about the group's current trading. The US company also attacked as "highly speculative" Molins' projection that patents revenue from its flexible manufacturing system might top $90m in the next 13 years. The FMS patents are the subject of a long-running legal battle in the US.

Leucadia, whose senior executives have so far spoken only through UK advisers, also defended its own record, and denied that it had ever exploited the pension fund assets of subsidiaries for its own benefit.

Molins has consistently claimed that its £58.4m of pension fund surpluses would make a valuable contribution to group profits for the next 20 years.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Appletree ......int	1.5	-	1.1	-	4.1
Avon Rubber ......int	5†	July 2	5	-	16.5
Baggeridge Brick ......int	0.75	Aug 8	0.75	-	3.125
Baris § ......fin	3.75	July 2	-	3.75	-
Bisichi Mining ......fin	0.56	Aug 17	0.51	0.56	0.51
City of Oxford ......fin	1.1875	June 27	0.9375	4.5‡	2.3875‡‡
Diploma ......int	2.25	July 2	2.25	-	8.5
Dunedin W'ldwide ......int	2.4	July 6	2	-	7.5
Fleming High Inc ......fin	1.35♠	-	-	5.25	-
Gieves ......fin	2.7	July 2	2.56*	4.2	3.8*
Govett American ......fin	10.17✱	June 12	9	20.35	15.75
GrandMet ......int	7.6☆	Oct 1	6.75	-	17.75
Greenall Whitley ......int	4	July 6	3.3	-	8.7
London & Assoc ......fin	0.41☆	Aug 31	0.25	0.46	0.4
Warnford Invest ......fin	4	-	3.75	6.5	6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♠Fourth interim. ☆Carries scrip option. ✱US cents throughout. ‡Includes 0.5p special dividend. ‡‡Includes 0.75p special dividend.

Flat markets blamed for Diploma's 9% decline

By Jane Fuller

DIPLOMA, the electronic components, building materials and special steels group, registered a 9 per cent profit fall for the six months to March 31, in which the majority of its markets were flat or declining.

The taxable figure of £8.9m (£9.8m) was made on turnover that advanced by 5 per cent to £72.3m.

Mr Christopher Thomas, chairman, said the electronics distribution business continued to operate in a flat market.

More encouraging performances came from a Cad-Cam distributor and (for a couple of months) from Wakefield Electronics, a US acquisition involved in data communication and computer networking.

In building materials, the group had had to cope with the effects of a 40 per cent reduction in UK housing starts.

The smallest and brightest section of the group, special steels, was benefiting from buoyant demand from the oil extraction industry, and this would more than offset any downturn from engineering customers, said Mr Thomas.

Earnings per share slipped to 9.8p (11.2p). The interim dividend is held at 2.25p.

The share price gained 7p to close at 183p yesterday.

Utd News lower

Flat trading conditions and high interest rates have caused United Newspapers, publishers of the Daily and Sunday Express and the Star, to make lower pre-tax profits in the first quarter of 1990 than in the same period last year, writes Andrew Bolger.

Lord Stevens, chairman, told the annual meeting that there had been flat trading conditions in the first three months of the year. Trading profits were up on the equivalent first three months of 1989, but profits before tax were marginally below last year's figure due to higher interest rate charges.

Maxwell agrees to buy US magazines

MR ROBERT Maxwell, publisher of Mirror Group Newspapers, yesterday increased his company's US interests with an agreement to buy three supermarket tabloid magazines — Globe, National Examiner and Sun, writes Raymond Snoddy.

The titles are published by Globe International Publishing, a private company wholly owned by Mr Mike Rosenbloom and with headquarters in both Montreal and Florida.

They have combined sales of more than 2.5m copies per week and all three are in the top 15 of all news-stand titles. GIP would not disclose its revenues yesterday but said the titles involved were profitable.

Mr Ernest Burrington, deputy chairman and managing director of MGN, will travel to the US soon to look in detail at the new acquisitions.

The sale to MGN is expected to be completed by the end of June. Although neither side would disclose the value of the deal industry estimates put it at around $300m.

The Star, another of the supermarket specials, was recently sold by Mr Rupert Murdoch, chief executive of News Corporation, in a deal worth more than $400m.

Mr Maxwell tried once before to enter the more sensationalist end of the US newspaper/magazine market when he was outbid for the National Enquirer. However, over the past two years he has greatly increased his presence in the US through the acquisition of Macmillan, the publisher, and the Official Airline Guides division of Dun & Bradstreet.

UK COMPANY NEWS

Rank's eyes down on Mecca

By Nikki Tait

SHARES IN Mecca Leisure, Britain's biggest "pure" leisure group following its takeover of Pleasurama in 1988, gained a further 6p to 79p yesterday after Rank Organisation, in a guarded statement, failed to rule out the possibility of bidding for the company.

Rumours that potential bidders might be looking at Mecca have been circulating recently, with Rank favoured.

Yesterday, Rank clarified the situation slightly by saying that it had "kept Mecca's business under periodic review, with assessments of operations, finances, marketing and regulatory issues."

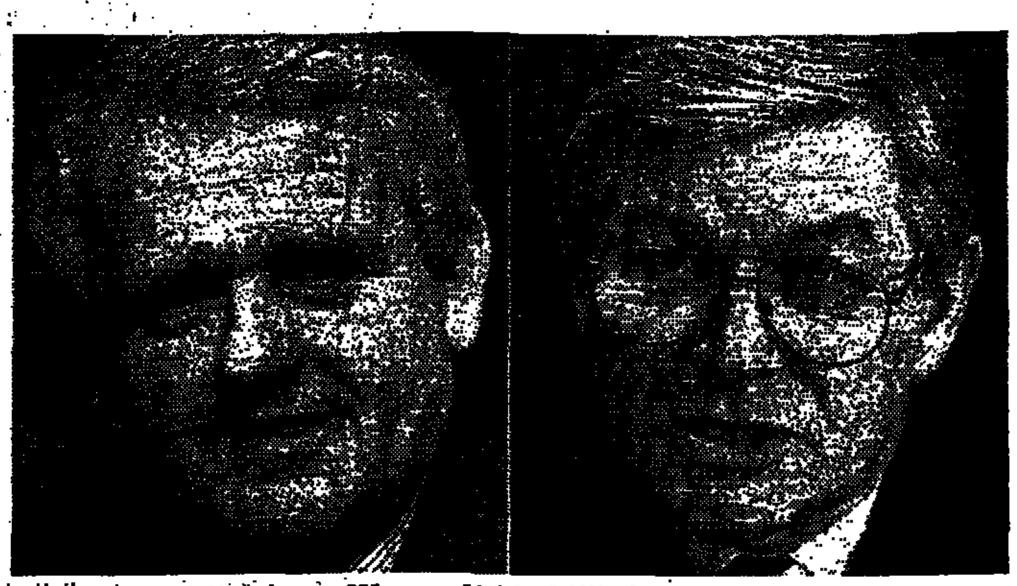
"While the options available to Rank inevitably include making an offer for Mecca," it continued, "no decision has been made on whether any action will result from the current review or what form any action which might result will take".

That brought a short formal response from Mecca, which said that no approaches had been received from Rank or anyone else.

Mr Michael Gifford, Rank's chief executive, declined to elaborate on the announcement. However, analysts suggested that the statement had probably been wished on the company by its advisers, under Rule 2.2 of the Takeover Code.

The rule requires an announcement when rumours – ahead of a formal bid approach – result in a price movement of over 10 per cent, and this could be attributed to a potential bidder's actions.

At Mecca, Mr Michael Guthrie, chairman, said that there had been no contact with Rank and none was planned. He added that the group was not aware of any shareholding by Rank, although he conceded that turnover had been high recently.



Michael Guthrie (left) chairman of Mecca, and Michael Gifford, chief executive of Rank

Rank's interest in Mecca is not new. In 1985, before management finally bought the business out from Grand Metropolitan, Rank was known to be a potential acquirer although there were suggestions that such a deal might trigger a Monopolies Commission inquiry.

Mr Guthrie said that he thought this was still "highly likely" if Rank did bid, although some analysts were more sanguine.

Yesterday's announcement left analysts ambivalent over the prospects of a bid actually arriving. Mr Bruce Jones at Kitcat & Aitken pointed out that Mecca was well within Rank's financial resources and Rank might be attracted by the holiday, coaching, restaurant and bingo operations.

Another analyst questioned whether Rank would want to take on Mecca's hefty debts and an associated disposal programme. Debt last month stood at some £460m, and Mecca's own plans to sell some former Pleasurama businesses have hit delays, although it has talked of selling interests worth about £250m in 1990.

Inchcape pays $12m for US laboratories

By Jane Fuller

INCHCAPE, the international services and marketing group, is spending $12m (£7m) to expand its environmental testing activities in the US.

The money is going, in roughly equal parts, into the purchase of West-Paine, which has a laboratory in Baton Rouge, Louisiana, and a 60 per cent stake in NDRC, which has two laboratories in Texas. The rest of NDRC can be bought by 1995.

Between them, the two companies had turnover in 1989 of $9m. No figures for profit or net assets were given, but because these are service companies, Inchcape said "a fair element" of the price was for goodwill.

Inchcape last year opened an environmental testing laboratory in New Jersey. Mr John Duncan, corporate affairs director, said the North American market for these services had been estimated at $1bn with an annual growth rate of between 20 and 25 per cent.

The work carried out by the laboratories includes investigating old hazardous waste sites prior to development and monitoring underground water for contamination.

Severn Trent moves into US with £7m purchase

By Richard Evans

SEVERN TRENT has bought an 80 per cent stake in Capital Controls Company of Pennsylvania, a specialist water disinfection company, in what is believed to be the first overseas acquisition by one of the 10 recently-privatised water companies in England and Wales.

The stake will cost Severn Trent £7m and the remaining 20 per cent will be held by the present management of Capital Controls. Turnover in 1988-89 was £14m and profit before interest and taxation was £1.2m.

Capital Controls was founded in 1960 to manufacture and market devices to regulate the addition of chlorine to water. Over the past four years the company has expanded its activities to include other methods of water disinfection and the manufacture and marketing of equipment for water analysis.

According to Mr Frank Earnshaw, director of operations at Severn Trent who will be chairman of the company, the key reason for the acquisition is the growing demand within the industry for ways of improving water quality. It is estimated that disinfection investment within Severn Trent alone will amount to £20m over the next three years.

At present two thirds of Capital Controls' business is within the US. It has sales offices in Arizona and in Belgium and an operating subsidiary based in Sittingbourne, Kent.

East Surrey Water outlines dividend policy

By Andrew Hill

EAST SURREY Water intends to pursue "a progressive dividend policy" now it has moved from statutory company to public limited company status.

Mr John Fooks, the company's chairman and a 14 per cent shareholder, said yesterday: "We are going to be judged to an extent by comparison with the water authorities [on dividend policy], but we are a very small fish and it is difficult to commit ourselves this early."

Interest on a £14m extraordinary gain from land sales helped boost profits last year from £102,000 to £1.61m before tax.

East Surrey is one of 29 statutory companies which supply water alongside the 10 privatised former water authorities. Under last September's Water Act, the 29 private-sector companies have the right to convert to plc status, simplifying their complex capital structure and making diversification into related areas easier, but only three have chosen to do so.

Before conversion, East Surrey had to plough surpluses back into the business to benefit its 320,000 consumers, and in 1989-90 dividend distribution was still restricted by an agreement with the Department of Environment.

French suppliers now control 12 of the statutory companies, but East Surrey has moved to secure its independence by appointing Mr Duncan Saville, who owns a 28 per cent stake, to the board.

Mr Saville, a Sydney-based businessman, was involved in unsuccessful hostile bids for two statutory companies last year, but has agreed not to launch or support a bid for East Surrey without board approval.

Before interest and exceptional items, East Surrey returned operating profits of £3.26m (£2.57m) in 1989-90.

City of Oxford net asset value slips

Net asset value at City of Oxford Investment Trust slipped to 47.8p per share at March 31, compared with 52.97p a year earlier and 60.2p at September 30 1989.

Total revenue amounted to £1.52m (£900,003) and net revenue emerged at £970,612 (£519,577) for increased earnings per share of 4.85p (2.6p).

A final dividend of 1.1875p is proposed for a total of 4p. In addition, there will be a special 0.5p payment.

UK COMPANY NEWS

Ultramar hit by difficult conditions in US

By Steven Butler

A PLUNGE in refining margins caused net profit at Ultramar, the diversified oil group, to fall sharply from £32.2 to £18.4m in the first quarter of 1990.

Mr John Darby, chairman, said the results came in below expectations due to difficult market conditions in California, where refined product prices failed to rise correspondingly when oil prices hit peaks during the winter months.

This caused refining and marketing earnings on the US west coast to fall to just £1m (£12.7m) over the period. The eastern Canadian operation was also affected and profits there fell from £24.4m to £20.8.

Mr Darby said, however, that refining margins had improved since the end of the quarter.

Group sales rose from £388.8 to £475m, while cash flow fell from £65.9m to £47m. Earnings per share dropped 43 per cent to 5p.

Estimated replacement cost earnings, which net out inventory holding gains and losses, came to £14.4m, compared to £22.5m at the same stage of 1989. The results came in near the bottom end of analysts forecasts, particularly on a replacement cost basis.

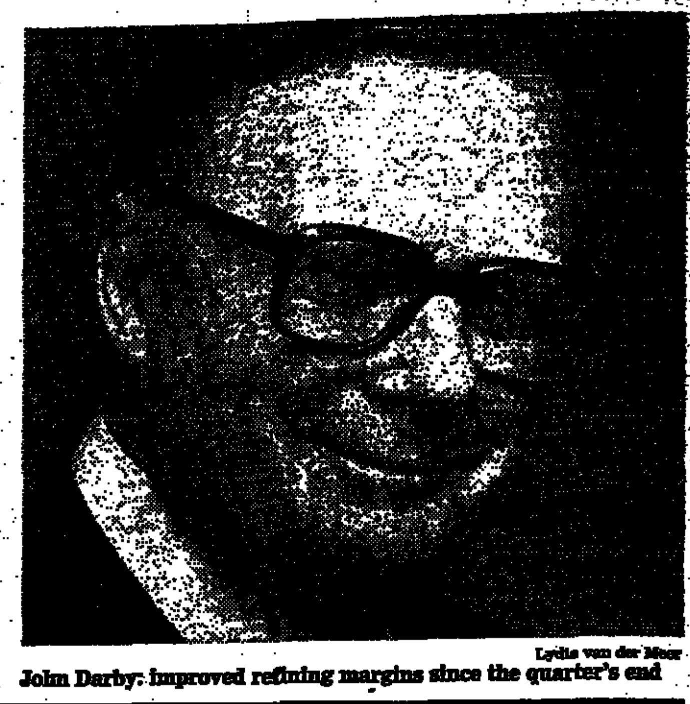
The fall in downstream earnings was partially compensated for by an increase in oil prices. Earnings in the upstream business rose to £16.2m (£12.8m). Production on an oil equivalent basis declined sightly to 110,700 barrels a day because of the sale of Canadian and Egyptian assets.

Ultramar has interests in eight North Sea development projects that promise to boost production in the years ahead. It said its appraisal programme for the Markham field, which straddles the UK and Dutch median line, had been completed with a successful well which tested at a rate of 964,000 cubic metres of gas a day and 230 barrels of condensate, a light hydrocarbon.

The fifth train of liquified natural gas production in Indonesia was fully commissioned at the end of March, and deliveries under long term contract to Taiwan are expected to start in July. Ultramar's net interest in cargoes delivered in the quarter fell from 31.7 to 29 cargoes. New exploration drilling has started in the area due to a 20 year extension of the production sharing contract.

Oil sold by the group rose from 327,700 b/d to 354,400 b/d, while refinery throughput rose from 173,900 b/d to 192,800 b/d. Sales in Canada fell because of crude oil delivery problems caused by the North Atlantic weather, but this was offset by increases in California.

Ultramar suffered an increased loss in international trading from £400,000 to £2.2m. Although gross tax payments declined from £19.3m to £18.6m, this increased as a percentage of operating profit from 35 per cent to 44 per cent.



Lydia van der Meer

John Darby: improved refining margins since the quarter's end

NEWS DIGEST

Gieves ahead but warns on first half

GIEVES GROUP, with interests in clothing, book manufacture, and motor and petrol retailing, lifted pre-tax profits by 10 per cent, from £2.06m to £2.29m, in the year to January 31. Turnover increased to £50.72m against £47.69m.

A final dividend of 2.7p is recommended for a total of 4.2p. Earnings per share worked through at 11.3p (10.1p) and Mr Tom Scruby, chairman, said he expected earnings in the first half of the current year to be "quite a bit below" those in 1989.

Dunedin sees net asset value slip 8%

In the six months to April 30 the net asset value of Dunedin Worldwide Investment Trust declined 8.2 per cent from 619.5p on October 31 to 568.7p at the end of the half-year; a year earlier it stood at 540.7p. Gross income of the trust in the half rose from £2.13m to £3.47m.

After administration expenses of £546,000 (£441,000), interest payable of £839,000 (£676,000) and tax of £617,000 (£300,000), earnings per share were more than doubled at 4.3p (2.05p).

The interim dividend is increased from 2p to 2.4p and the board said it expected that the full-year dividend would be increased by the same percentage as the interim payment.

Net assets static at Govett American

Net asset value per share of Govett American Endeavour Fund at March 31 1990 was $1.86 (£1.13), compared with $1.87 last time.

Total income of this Jersey-exempt company which invests exclusively in the US rose 14 per cent from $17.52m to $20.05m and comprised investment income of $18.49m ($15.94m) and dividend income of $1.56m ($1.57m).

Operating expenses increased to $1.49m ($1.3m) and interest payable climbed to $7.48m ($6.31m), leaving pre-tax profits of $11.09m ($9.91m).

The tax charge fell to $1,000 ($4,000) after which earnings per share rose to 20.36 cents (18.18 cents). The recommended final dividend of 10.17 cents brings the total for the year to 20.35 cents (15.75 cents).

Lord Chilver, chairman, said the fund had committed just over $55m to nine new long-term investments, structured to produce capital and income growth to shareholders over the medium term.

The fund was continuing to see a flow of opportunities for smaller to medium-sized companies.

Baris more than doubled to £1.64m

Baris Holdings, a provider of fire protection services which came to the USM last November, more than doubled pre-tax profits to £1.64m in the year to February 28 1990. The previous figure was £691,000.

Mr Robert Smith, chairman, said the rapid growth had continued in the past year and prospects for the current year were "excellent". The order book was strong and the number and value of enquiries had never been higher.

Turnover doubled to £11.18m (£5.31m). Earnings worked through at 16.3p (6.9p) and a maiden dividend of 3.75p is proposed.

Appletree grows to £1.28m at midway

Appletree Holdings, involved in prepacking and wholesale marketing of agricultural produce and fruit, lifted pre-tax profits from £861,000 to £1.28m for the half year to May 1. Turnover improved from £35.53m to £40.92m.

After tax of £275,000 (255,000), earnings per share emerged at 5.63p (3.4p). In addition there was an extraordinary item of £2.03m related to the sale of Appletree Fresh Produce to Dalgety Foods on March 30 (£9.01m mainly relating to the sale of Hunters Foods) The interim dividend goes up from 1.1p to 1.5p.

Fleming High Inc assets decline

Net asset value per share of The Fleming High Income Investment Trust stood at 85.3p at end-April 1990. That compared with 100.7p at July 31 1989 and with 89.5p and 96.9p at October 31 and January 31 respectively.

After-tax revenue for the period March 9 1989 to April 30 1990 amounted to £1.56m. Earnings emerged at 6.25p and a fourth interim dividend of 1.35p makes a total for the period of 5.25p.

Warnford steps up profit and dividend

Warnford Investments, the property investment group, reported a rise from £6.44m to £6.56m in pre-tax profits for the year to December 25.

Turnover rose from £9.46m to £10.77m. Investment properties owned by the group at the year end were valued on an open market basis at a total of £160.92m, compared with £159.38m.

Properties held for resale at a total cost of £113,815 were professionally valued on the same basis at December 25 at a total of £968,000 (£113,815, valued at £882,500).

Earnings per share were marginally lower at 10.78p (10.82p) after tax of £2.37m (£2.24m), associated nil (£14,100) and overseas £38,145 (£36,314). The dividend goes up from 6p to 6.5p with a proposed final of 4p.

Mid-States in the black

Mid-States, a US auto parts distributor quoted on the Third Market, returned profits of £215,000 pre-tax for the nine months ending December 31.

The company has changed its year end and the profit compares with a loss of £280,000 for the 12 months to March 31 1989.

Profits for the first quarter of 1990 were in excess of budget and the directors intend to pay a special dividend of 0.75p for the year.

Sea Containers spent $53m fighting bid

By Andrew Hill

SEA CONTAINERS spent $53m (£32m) defending itself against last year's hostile bid from Stena, a private Swedish ferry operator and Tiphook, the UK container rental company.

The company, which eventually sold most of its Sealink ferry business and dry cargo container operations to the two bidders, announced net earnings of $173m for the first quarter of 1990. Net earnings per share were $14.55.

The figure compared with a loss of $6.29m in the first quarter of last year – usually a slack period for the company – but was boosted by the $160m gain, after expenses, on the sale of ferries and containerships. The profit on the container disposals to Tiphook will fall in the second quarter.

Excluding gains from asset sales and tax credits, net income was $12.4m, against a $12.5m first-quarter loss last year. Continuing ferry and port operations lost more than in the equivalent period, mainly due to fact that Easter fell in the second quarter this year.

Some $53m was spent on the actual defence against the bid, the value of which increased from $824m to $1.12bn during the eight-month struggle, before the three companies agreed on $1bn asset sale. A further $20m has been provided against possible additional expenses related to the asset sales.

Mrs Fields to rejig licence agreements

By Andrew Hill

MRS FIELDS, the US cookie manufacturer quoted in London, is to reshuffle various licence agreements with Riverview Financial Corporation, its ultimate holding company.

Riverview controls 80 per cent of the quoted group and 80 per cent of La Petite Boulangerie (LPB), a bakery chain.

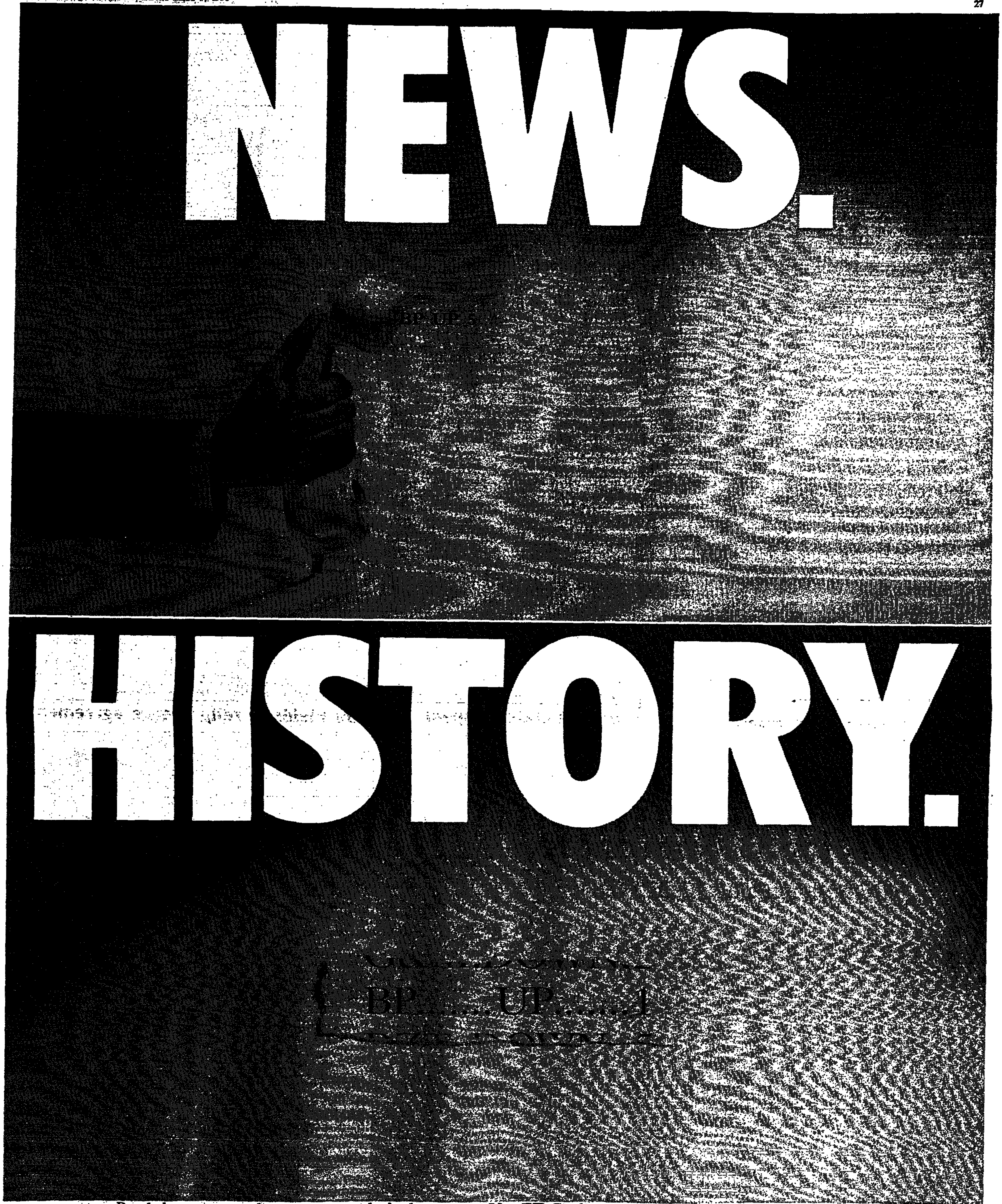
The range of Mrs Fields products sold under licence in LPB stores is being extended and some of the stores will be converted into Mrs Fields Bakeries at LPB's expense. The programme should be complete by the end of 1991, but Riverview said LPB was unlikely to be integrated with Mrs Fields for two or three years.

PUBLIC WORKS LOAN BOARD RATES

Effective May 16

Years	Quota loans repaid by EPP†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPP†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			14⅝			15⅜
Over 1 up to 2	14½	14½	14	15½	15½	14¾
Over 2 up to 3	14⅛	14⅛	13⅝	15⅛	15⅛	14⅜
Over 3 up to 4	13⅞	13¾	13⅜	14⅞	14¾	14⅛
Over 4 up to 5	13¾	13⅝	13⅛	14¾	14⅝	13⅞
Over 5 up to 6	13½	13⅜	13	14	13⅞	13½
Over 6 up to 7	13⅜	13¼	13	13⅞	13¾	13½
Over 7 up to 8	13¼	13⅛	12⅞	13¾	13⅝	13⅜
Over 8 up to 9	13¼	13⅛	12¾	13¾	13⅝	13¼
Over 9 up to 10	13⅛	13	12⅝	13⅝	13½	13⅛
Over 10 up to 15	12⅞	12⅝	12	13⅜	13⅛	12½
Over 15 up to 25	12¼	11¾	11½	12¾	12¼	12
Over 25	11⅝	11⅜	11⅝	12⅛	11⅞	11⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.


NEWS.
HISTORY.

UK COMPANY NEWS

Baggeridge decline underlines recession

A 38 per cent fall in pre-tax profits at Baggeridge Brick during the six months to end-March underlined the extent of the recession in the brick industry, writes Andrew Taylor.

Baggeridge, one of only three remaining independent British brickmakers, blamed high interest rates and a sharp fall in house sales for the profits slump.

Profits fell to £2.58m compared with £4.15m at the same stage last year. Within this figure, brickmaking profits slumped by 50 per cent from £4.39m to £2.19m, but profits from landfill operations rose from £36,000 to £1.03m.

The company said sales volume and margins had been under severe pressure as a result of the fall in housebuilding.

The group also sells bricks for industrial and commercial development. This market has held up much better although there is increasing concern about the outlook for commercial property as property sales to institutional investors has fallen.

Baggeridge said profits from selling bricks to non-housing operations during the first six months were only marginally lower than those produced in the first half of the last financial year.

It has established a separate division to develop its landfill operations. These previously had involved selling planned exhausted clay land.

Baggeridge said: "Our brickmaking process generates substantial volumes of void space for the safe depositing of waste materials." It now intended to develop this side of its business "to provide a major profits source outside the construction cycle".

Group turnover dipped from £16.39m to £15.92m. Earnings per share fell from 6.91p to 4.25p but the interim dividend is maintained at 0.75p.

Facing up to more pain and suffering

Andrew Taylor on the continuing gloomy outlook for Britain's brickmakers

BRITISH brickmakers are suffering as prices tumble and sales fall in one of the worst markets for British housebuilding for quarter of a century.

About 60 per cent of all bricks are used for housebuilding so the industry is accustomed to catching a cold when house sales slide. Manufacturers have reacted swiftly by closing kilns and making workers redundant.

Even so, demand has fallen faster than capacity can be closed. Further production cuts seem inevitable unless demand increases and that seems unlikely given the current outlook for housing and commercial property markets.

Stocks of unsold bricks on factory forecourts have risen to more than 1bn for the first time since 1982 and now stand higher than during the property crash in the mid-1970s.

Yet two years ago manufacturers were being criticised for having insufficient capacity to supply housebuilders, some of which were forced to import bricks from continental Europe.

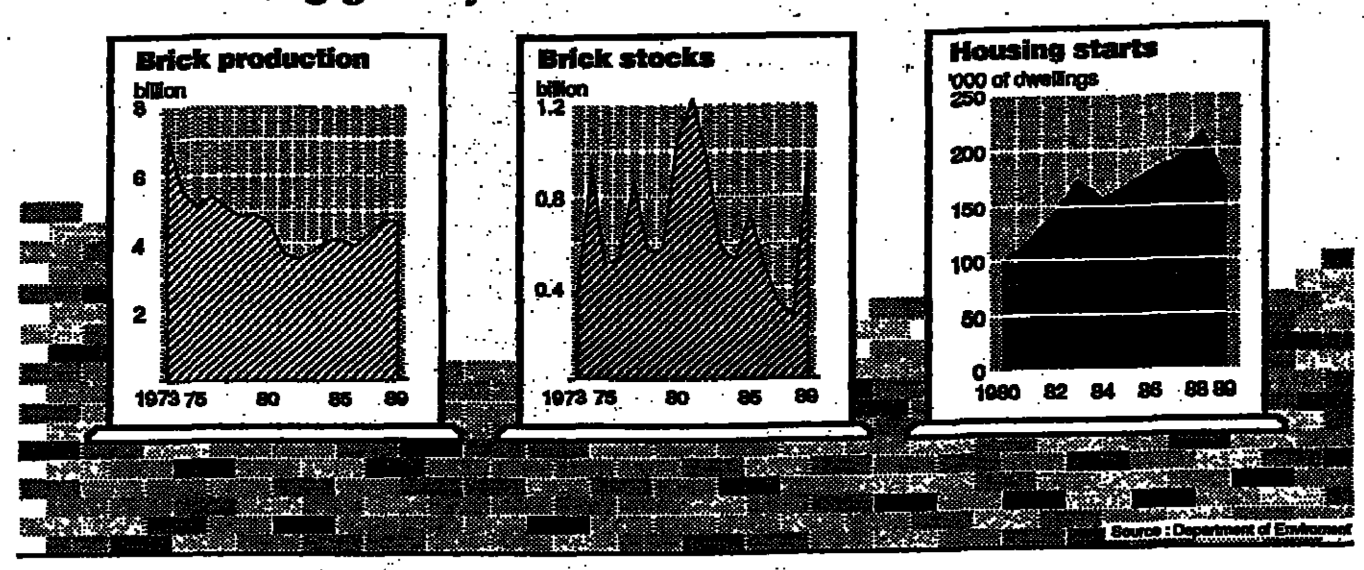
In 1988 housebuilders started work on 216,000 new private homes, the highest figure for more than a decade.

A year later starts had tumbled by 22 per cent to 168,000. This year starts are expected to fall to about 130,000, the lowest figure since 1981.

Mr Richard Miles, managing director of Steetley, the diversified building materials group and British brick manufacturer, says: "There is some bitterness that Government, which a short while ago was complaining that we had not invested in enough capacity, is supporting a policy of high interest rates which is causing kilns to be closed and companies to make redundancies."

More than £200m is estimated to have been committed on capital investment by British brickmakers, much of it on new capacity, since 1985.

The turnround in the industry's fortunes has meant that since 1989 brick manufacturers



have shed between 1,300 and 1,400 jobs – about a tenth of the industry's workforce.

At the end of March manufacturers had stocks of 1.13bn unsold bricks – sufficient to build 125,000 homes or a 14,000 mile wall a metre high from London to Buenos Aires and back again.

Based on current sales and production rates stocks could rise to 1.5bn by the end of this year, beating the previous post war stocks record of 1.3bn standing at February 1982. That is assuming there are no further closures.

Mr Gerald Corbett, finance director of Redland, one of Britain's largest building materials group and a quality brick maker, says: "Last October we forecast that private housing starts would fall to about 130,000 this year, recovering to about 145,000 next year.

"We are now more pessimistic about prospects given the Chancellor's recent comments on the continuing need for high interest rates. The recession in the commercial property market also looks like coming earlier and being deeper than expected. If that happens it is difficult to see how the industry can escape further cuts in capacity."

Redland, which operates largely in southern England where the fall in house sales has been far greater, has already mothballed about a quarter of its capacity equivalent to about 70m bricks and reduced its workforce by about 200. The company, however, is cushioned by its extensive overseas businesses, particularly in continental Europe.

London Brick, the country's biggest brick manufacturer which sells heavily to housebuilders in the south, has also reacted swiftly to cut capacity.

In January, it announced it was making 482 workers redundant and closing one of its Cambridgeshire plants. This was in addition to 600 redundancies announced last summer when the company employed about 4,000 workers.

London Brick, owned by Hanson and which on Tuesday announced a 27 per cent increase to £570m in interim pre-tax profits, has been hit harder because of its concentration at the lower end of the market and its preponderance of sales to the housing industry.

Mr Martin Taylor, Hanson's vice-chairman, said sales at London Brick had fallen by about 40 per cent during the six months to the end of March compared with the corresponding period 12 months previously. Sales at Butterly, also owned by Hanson but which is at the quality end of the brick market, had fallen by about 20 per cent.

Brick companies at the quality end have fared best, selling mainly outside southern England and with a strong emphasis on commercial and industrial development.

Ibstock Johnsen, one of only three remaining quoted independent brickmakers in the UK, proportionately sells more bricks for commercial development than almost any other brick manufacturer.

It says group sales this year have fallen by about only 2 per cent. Gains in market share, however, have been at the expense of prices which on average are down by about 15 per cent.

Mr Richard Boxall, Ibstock's joint managing director, says: "We have no immediate plans to cut capacity but are concerned about the effect falling demand for commercial property will have on sales towards the end of this year."

Prices at the lower end of the market for standard house bricks and engineering bricks have fallen by as much as a quarter. Prices for some specialist bricks, however, have risen slightly.

Price falls, say manufacturers, work straight through to reduced profits. It is also difficult in a continuous manufacturing process to slow production and move to short time working.

All of which points to more pain and suffering for Britain's brickmakers. This could last into 1991 if a recovery in housebuilding is delayed and the recession in commercial property is more protracted than expected.

Leading Leisure to reduce gearing via £22.5m rights

By Jane Fuller

LEADING LEISURE, the leisure and property group, is planning to raise £22.5m via a three-for-two rights issue to reduce its 140 per cent gearing.

The issue is at 25p for each of the 94.5m new shares.

The company, one of the largest on the Third Market, also reported a £1.58m increase in pre-tax profit to £6.73m on sales of £97.4m (£78.5m). It was comparing the 14 months to the end of December with 12 months to October 31 1988.

Interest payments doubled to £4.88m. Mr Barry Malizia, chairman and chief executive, said that because of a development programme, debt had mounted to £66m and gearing had "got out of line."

After the rights issue, gearing would fall to just over 30 per cent.

During the year, the company disposed of betting shops, pubs, clubs and casinos to focus on hotels with golf and tennis facilities, day-trip attractions, bingo and simulation equipment – of flying or skiing for example.

Property continued to account for the majority of operating profit, contributing £9.8m compared with £4.4m from leisure.

Earnings per share advanced to 7.5p (6.8p). A final dividend of 1.5p makes a total of 2.5p (2p).

Utd Guarantee

Reduced pre-tax losses of £1.46m compared with £3.02m were announced by United Guarantee for 1989.

Turnover fell to £11.59m (£16.77m).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1988							
4th qtr.	109.9	118.6	28.9	121.0	135.4	2,101	241.4
1989							
1st qtr.	109.7	118.9	33.2	121.2	125.8	1,952	228.6
2nd qtr.	109.5	119.5	32.7	121.9	132.4	1,824	222.4
3rd qtr.	111.1	119.9	35.3	121.6	134.5	1,742	223.3
4th qtr.	111.4	120.0	34.9	122.3	165.8	1,654	205.5
February	109.2	118.5	35.6	121.4	124.3	1,949	229.9
March	110.1	119.6	30.7	122.4	127.9	1,917	224.9
April	110.7	119.1	34.7	120.9	132.1	1,855	222.2
May	108.5	119.7	34.1	124.6	133.9	1,836	219.5
June	109.3	119.7	34.9	121.1	131.4	1,810	224.4
July	110.2	119.9	34.6	120.9	134.9	1,787	220.9
August	111.9	120.7	35.3	121.5	134.4	1,745	219.5
September	111.3	119.6	35.3	122.2	134.3	1,694	220.7
October	111.3	120.5	35.3	121.9	140.6	1,675	214.6
November	111.6	119.9	35.3	121.6	153.8	1,652	209.5
December	110.8	119.7	34.9	123.2	195.5	1,635	195.4
1990							
1st qtr.				123.1	135.1		
January	110.3	119.8	35.1	122.1	134.2	1,612	199.3
February	109.5	119.2	33.6	124.8	134.9	1,610	196.7
March				122.5	136.1	1,604	195.5

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
4th qtr	114.1	115.1	106.3	116.9	124.2	101.5	21.2
1989							
1st qtr.	114.8	119.6	103.9	119.3	130.3	100.8	19.2
2nd qtr.	116.4	121.1	102.9	120.6	132.9	99.1	16.9
3rd qtr.	115.1	124.5	104.6	122.5	124.1	97.4	16.9
4th qtr	115.1	126.4	104.7	123.7	121.5	98.3	14.0
March	115.7	119.6	104.2	119.0	127.0	100.0	15.5
April	116.2	119.9	105.5	119.9	127.0	102.8	16.4
May	115.1	121.5	101.1	121.9	122.9	99.0	19.6
June	115.9	122.6	101.8	122.0	118.0	98.8	17.7
July	115.7	124.2	103.0	122.9	123.5	97.0	15.5
August	114.9	126.1	105.5	124.0	125.0	98.0	14.8
September	114.6	126.1	105.7	122.9	126.0	97.8	14.5
October	114.7	128.5	104.9	125.6	123.0	98.0	15.9
November	114.8	126.6	105.2	123.9	120.0	98.0	13.4
December	116.4	124.2	103.8	122.0	122.0	101.0	12.7
1990							
January	115.0	125.5	102.6	122.0	118.0	101.0	14.8
February	114.6	124.9	102.9	121.9	119.0	99.0	12.7

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
4th qtr.	109.7	136.5	-6,307	-5,467	+432	98.7	51.69
1989							
1st qtr.	112.6	140.5	-6,037	-4,699	+229	98.4	50.46
2nd qtr.	113.5	140.3	-6,335	-4,899	+228	98.1	43.67
3rd qtr.	117.2	141.0	-6,359	-6,308	+397	98.2	42.38
4th qtr.	124.4	139.0	-4,381	-5,084	+627	96.6	38.64
April	113.5	139.7	-2,193	-1,921	+118	98.9	47.28
May	114.5	140.3	-1,728	-1,453	+25	98.1	46.80
June	115.1	142.0	-1,851	-1,679	+104	97.9	43.67
July	115.6	138.5	-2,543	-2,475	+130	97.1	43.65
August	114.5	141.2	-2,378	-2,310	+163	97.4	43.21
September	121.5	143.3	-1,973	-1,958	+106	96.5	42.38
October	122.3	139.5	-1,882	-1,920	+212	96.9	38.68
November	121.9	140.4	-1,782	-2,019	+205	96.7	38.77
December	128.4	134.2	-917	-1,155	+210	96.3	38.64
1990							
1st qtr.	124.8	147.1	-5,590	-5,590	+494	97.2	38.29
January	125.3	150.4	-2,820	-2,820	+121	97.4	38.45
February	124.3	138.6	-1,3945	-1,394	+145	97.1	38.54

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
4th qtr.	7.7	16.9	17.6	+19,290	3,188	+685	12.75
Ist 1989							
1st qtr.	6.7	15.2	18.2	+21,152	2,081	+507	13.00
2nd qtr.	6.0	11.3	18.6	+22,325	1,735	+600	14.00
3rd qtr.	5.3	10.0	17.4	+26,152	2,266	+720	14.00
4th qtr.	5.5	10.2	17.6	+25,400	1,057	+340	15.00
January	7.4	15.5	18.9	+7,811	794	+344	13.00
February	6.6	15.5	18.4	+5,940	1,064	+152	13.00
March	6.1	14.7	18.1	+3,306	513	+400	13.00
April	5.8	14.6	17.9	+6,272	1,175	+308	13.00
May	6.2	13.6	18.1	+6,627	713	+426	14.00
June	5.5	11.3	18.5	+7,557	-182	+160	14.00
July	5.2	10.4	16.5	+7,749	846	+285	14.00
August	6.1	10.1	17.2	+7,957	621	+297	14.00
September	4.5	9.9	17.3	+10,402	819	+164	14.00
October	5.2	9.9	17.2	+5,180	794	+173	15.00
November	5.7	10.7	17.5	+4,884	777	+250	15.00
December	6.0	9.5	18.2	+10,729	176	-30	15.00
Ist 1990							
January	5.8	9.4	18.3	+5,839	369	+306	15.00
February	6.4	4.2	17.9	+7,132	355	+269	15.00
March	6.2	8.8	17.5	+9,160		+148	15.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
4th qtr.	103.8	100.1	115.2	109.6	106.7	1,887	97.4
1989							
1st qtr.	106.2	102.9	116.8	111.7	107.9	1,874	95.5
2nd qtr.	107.9	104.4	118.2	114.9	110.2	2,018	90.2
3rd qtr.	109.5	103.1	119.7	116.3	110.7	1,912	91.4
4th qtr.	112.8	105.8	121.2	118.3	113.6	1,843	89.6
March	107.3	102.4	117.2	112.3	108.3	1,983	95.9
April	107.4	103.9	117.8	114.3	109.8	2,019	95.5
May	107.8	104.7	118.3	115.0	110.3	2,014	94.3
June	108.4	104.7	118.6	115.4	110.7	2,027	91.1
July	109.1	102.8	119.3	115.5	110.1	1,888	92.2
August	108.9	102.7	119.7	115.8	110.6	1,917	91.6
September	110.8	102.8	120.2	116.2	111.3	1,888	91.3
October	112.2	104.1	120.6	117.5	112.4	1,851	89.7
November	112.8	105.7	121.2	118.5	113.5	1,828	87.9
December	113.5	107.7	121.5	118.8	114.5	1,818	85.5
1990							
1st qtr.		105.8	123.1				
January	115.1	107.4	122.5	120.4	116.9	1,912	87.2
February	116.5	104.6	122.9	119.5	115.9	1,771	87.7
March		105.3	123.3	120.2	117.8	1,881	88.0
April		105.0	125.0	121.4	117.7	1,812	87.1
				125.1	118.8		87.2

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

FINANCIAL TIMES SURVEY

Taiwan is liberalising its financial markets at a time when the island's economy is slowing and a rapidly rising amount of investment cash is going offshore. On the political front, a new generation of leaders face strong pressures for structural reform, writes **Gordon Cramb**

The rulebook is being rewritten

TRANSITION is the word which most commonly crops up in conversations with government officials in Taiwan as well as with economists, bankers and stockbrokers, both local and foreign.

After decades of double-digit growth, the onset of wage and price inflation and a stronger currency have slowed progress to a crawl, with the overheated local stock market particularly feeling the drag this year.

More than 40 years after fleeing mainland China, veterans of the ruling Kuomintang (KMT) party are being eased to the legislative sidelines to make way for younger, Taiwan-born politicians. The successors may prefer wider international recognition rather than pursue the chimera of reclaiming Peking.

Through deft concessions, particularly in banking and insurance, Taiwanese authorities have recently averted another trade clash with the US. Both sides appear content with the revalued level of the New Taiwan dollar which, after an unremitting rise from NT$40 five years ago, has stabilised in the past few months at just above NT$26 against its US counterpart. This is a level "we will maintain," says Mr Samuel Shieh, governor of the central bank.

At home, however, Taiwanese politicians face the social pressures of a widening income gap, and are seeking ways to stimulate domestic demand through public works. This would be a means of absorbing some of the island's massive capital surpluses as well as replacing export earnings which are being lost to the newly-industrialised economies of south-east Asia.

Mr Chen Mu Tsai, director of the monetary department at the Ministry of Finance, describes Taiwan as "suffering from the instability of structural change."

He says: "The structure of manufacturing was labour intensive. We are restructuring our economic development strategies and face a big transition period not only in manufacturing but also in the financial sector."

Prospects there are partly pinned on what happens before and after the Hong Kong handover in 1997.

The Asian Development Bank, one of the few intergovernmental organisations of which Taiwan is a member, in its annual report last month described Taiwan, along with South Korea, as better equipped for "more sustainable long-term growth" than either Hong Kong or Singapore, the other economies which make up the continent's so-called Four Dragons.

At the same time, it noted that "structural transformation" this year should stimulate investment activity even if consumer demand decelerates. This is a possible consequence of tighter monetary controls and the weaker stock market.

Japanese banks in particular favour Taiwan to assume some of the British colony's financial mantle, but are being discouraged by their own Government as it woos China.

In any event, Taipei officials are reluctant to suggest any timetable for reforms — "we want it all liberalised. We must decide the speed, sequence and priority," says Mr Chen.

It is believed, however, that the more progressive elements in the bureaucracy are aiming at 1993-95 as the period by which financial markets will have shed the bulk of their restrictions.

This would be a reasonable pace for a territory which, within the last three years, still had rigid exchange controls and fixed interest rates, not to mention martial law.

Mr Mark White, chairman of Jardine Fleming Taiwan, observes: "They have to rewrite the rule book. There is tons coming through all the time — some minor, some major. They are moving in the right direction at quite a rapid speed."

The opening of domestic markets comes at a time when private Taiwanese investment cash is going rapidly abroad.

The Asean region is seeing a big inflow as businesses move to cheaper production centres offshore. A significant amount is going into the Chinese mainland too, in a trend which increasingly defies government strictures on participation in the Communist economy.

Taiwan, which developed its technological base largely through serving as a site for US electronics assembly plants, now has home-grown companies making acquisitions in Silicon Valley.

According to conservative official estimates, direct investments abroad last year totalled $931m — more than four times the 1988 level. This year's projection is $1.2bn, but the figures ignore the money flowing into China.

The neighbouring coastal province of Fujian, the most favoured destination, claimed $540m in the first quarter of this year in new Taiwan-funded ventures. Even for investments elsewhere in the region, much cash is said to be remitted through backdoor means to avoid tax queries.

Unofficial channels have been a feature of Taiwanese life; nowhere more so than in the underground finance network, which at times is estimated to have held 40 per cent of the island's money supply.

The Government outlawed unlicensed deposit-taking last year and has been attempting to curb their activities through well-publicised arrests.

The underground investment houses, which were key players in the country's stock exchange boom last year, have been less evident this year. Their withdrawal has been described both as a cause and an effect of the market downturn. Some underground houses have been forced to sell land and property holdings in order to repay depositors.

Another reason share values on the Taiwan Stock Exchange have taken a knock is the introduction of a 0.6 per cent transaction tax, the latest of a number of attempts to tap the revenue being generated there — which it does so to the tune of about $50m a day — and rein back speculation.

The market is open only indirectly to foreigners through four investment funds. Legitimate institutional activity is modest.

The operations of private investors, the other main players on the exchange, are often as elusive as those of the underground houses. In a population of 20m people, there are 4.4m individual brokerage accounts. The Securities and Exchange Commission acknowledges that most accounts are held under aliases, or what Taiwanese blithely call "street names."

The transaction tax system replaced an earlier capital gains tax (CGT) which, although more difficult to control, at least casts its net more widely as a levy on unearned income.

Mr K.S. Liang, chairman of the Bank of Communications, said: "Abolishing CGT was very detrimental to income distribution."

Mr Liang, who was once tipped to become Finance Minister, is among a growing number of well-placed Taiwanese who are disturbed by what they see as an erosion of the work ethic on which the country's wealth was built, and a corresponding rise in crime. The disparity in wealth "has been getting bigger and bigger," he says.

It is feared that another

Continued on page 3

Investors, above, reacting over Taiwan's overheated stockmarket. Share values have taken a knock this year.

Taiwan's Economy

OPENING TO THE WORLD

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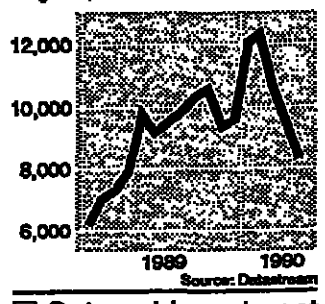
Taiwan
Weighted price index (June 1966=100)



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Taiwan's President Lee Teng-hui: facing pressure for faster financial reforms.

Peter Wickenden highlights trends in the stock market

Puzzle for analysts

THE UNPRECENTED length and persistence of the current stockmarket decline has analysts wondering whether the nature of the Taiex is finally changing, or whether it will return to its manipulated and speculative upward spiral.

After a breathtaking rally at the beginning of the year, the weighted index had zigzagged its way down by more than 32.5 percent by the first week of May.

"Perhaps I'm being naive," says one Taipei-based foreign analyst, "but I believe the really wild days are over." Others see no reason why the index should not climb gradually back up toward 15,000 points, but they now also see signs of maturity in its movements. Government vice-grips on the money supply were re-tightened after the usual Chinese New Year spree in February, bringing annualised M1B growth down to 8.7 percent from 30 percent a year ago.

In March, the money supply saw its biggest drop in a decade, and turnover on the stock market, which has thrived on excess liquidity for the last three years, plummeted by 31 per cent. Market capitalisation also fell 9.25 percent in March to $258.5bn, although that is still huge by any standards.

Habitually paranoid about inflation, the Central Bank is likely to maintain a tight squeeze on credit for the time being. In addition, cash is pouring out of the country as never before, and a balance of payments deficit was feared for the first half of May as export growth declined.

According to the Investment Commission, approved outward investment in the first quarter hit a new record of $368m, up 423 percent on the same period last year. The true figure may be seven to 10 times that, says vice-economics minister Hsu Kuo-an, since many people do not report their activities for tax reasons.

Included in the total must be several hundred million US dollars in funds being liquidated by collapsing unlicenced investment rackets. Meanwhile, inward investment to April showed a rare 15 percent fall. At the same time there has been a slight increase this year in the quantity of scrip available with the sale of some government shares in the three main commercial banks and 72 new rights issues in the last 12 months, which are only now coming onto the market.

This year up to 30 companies may obtain new listings, bringing the total to more than 200, says Mr C.P. Chang, chairman of the Securities and Exchange Commission. Although 18 companies in financial trouble are facing de-listing, the process takes months, if not years. Meanwhile, the number of issues on the fledgling over-the-counter market is expected to rise from its current one to more than 100 in the next two years. These factors have narrowed the yawning gap between demand and supply for the time being. It is bound to widen again if industrial restructuring gathers pace, and when foreign capital is officially allowed into the market directly. But three government moves to reduce speculation and manipulation have already had a deeper-rooted and more permanent effect. The revision of the Banking Law last summer outlawed unlicensed investment houses that had absorbed tens of billions of Taiwan dollars from the public and ploughed them into stocks and real-estate. By January this year, 114 out of 180 such houses had been referred to the courts for prosecution.

Turnover on the stock market plummeted in March by 31 per cent

The two largest ones, Homey and The Fortune Group, are widely thought to be bankrupt, and several dozen of their "fund managers" have been indicted and banned from following their funds out of the country. Homey was already foundering when in January the capital gains tax on stock trading profits was replaced by a 0.6 percent stock transaction tax. Suddenly it became more expensive for investors to buy and sell with their usual gay abandon, a fact that dawned upon them over the course of a few weeks. Even the Government was surprised by the huge amounts of revenue generated. It reportedly caused the cancellation of a bond issue that was to have partially paid for this year's budget deficit.

With the willing co-operation of brokers anxious to create turnover, larger players have taken to ramping domestic mutual funds, on which the transaction tax is only 0.1 percent. Speculation, and outright ramping of a number of stocks by the likes of Homey, has also been somewhat curtailed by the widening of the daily fluctuation limit from five percent to seven percent in either direction. The SEC says that the limit may be further widened to 10 percent sometime this year, but choosing the right time is essential if street protests by investors are to be avoided.

The only problem now is that the three million-odd individual investors who have been so used to following in Homey's path are left, as it were, without a leader. The increasing perception that there is a downside risk to investing has left them floundering, and reacting more nervously than ever to rumours and news of political instability. Foreign fund managers believe that the fluctuation limits must be abolished, and the proportion of steady corporate investment must increase if Taiwan is to create a world-class stock market.

"The limit cuts the liquidity of a stock and gives investors a false sense of security," says Mr Danny Chan, managing director of Fidelity International's Taiwan consulting office. He notes the much wider limits on some other small Asian markets. Compared to three years ago, however, the market is now palpably more mature – "people here are now quite sophisticated in their technical analysis in relation to short-term trading. But if you ask them about the fundamental strength of a company or its management, they still know nothing."

Sophistication, if there is any, only exists amongst those people, say about one in five, who have been in the market for three years already. Despite the wobbly state of the market, more than 100,000 new accounts have been opened at securities firms in the last eight weeks, bringing the total to 4.2m. (At least a million of these are bogus accounts, according to the SEC.)

Mr Lu Dong Ying, vice chairman of the SEC says since the relaxation of foreign exchange controls in July 1987, Taiwan has begun to follow the movements of other major markets more closely, which is perhaps a further sign of maturity. But when the market will be stable and mature enough for the government to consider opening it to direct foreign investment remains unclear, and the government is determined to keep it that way.

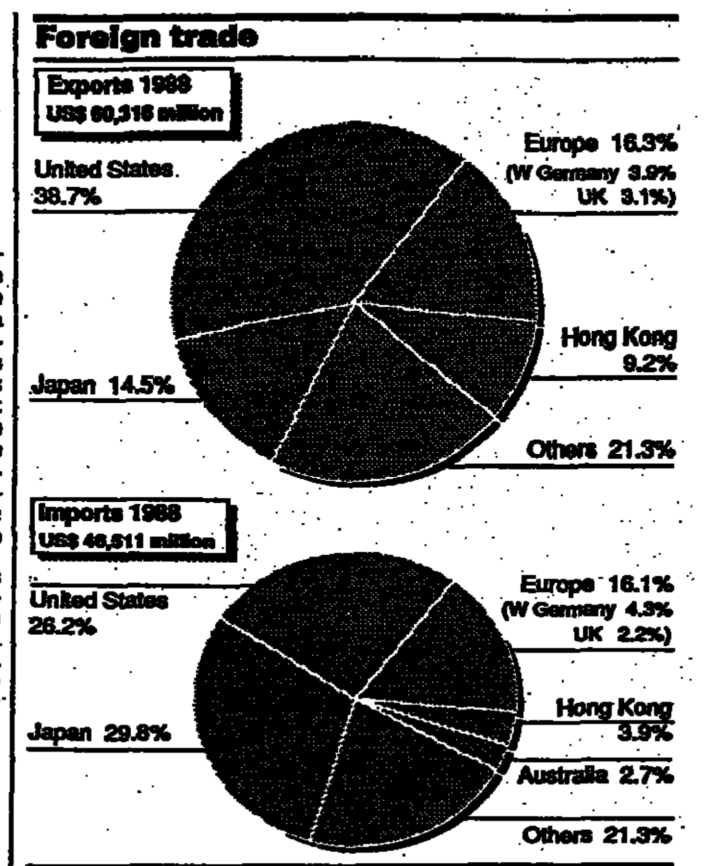
Chief amongst the reasons is that in the current political climate, the credibility of the Government is at stake. Says a senior SEC official: "If we set a timetable and and can't implement it, it will damage the ROC's reputation. In Korea, they have revised their timetable three times."

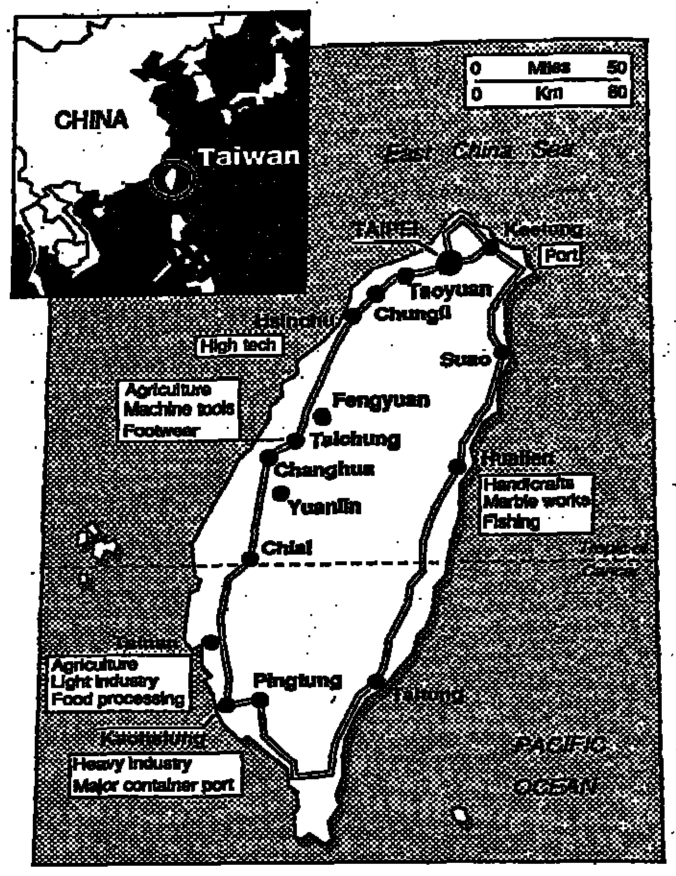
Moreover, unlike Korea, one thing that Taiwan does not need internally is more money. Although there is some popular alarm about the rapid decline in forex reserves this year from $72bn to $69bn, the figure could still be halved before it even begins to matter. The Government is therefore nervous about the development of a Euromarket for Taiwanese convertible bonds.

Anxious to dispel any impressions that the stock market is to be opened soon, Mr Lu stresses that the Yuen Foong Yu Paper Company's $100m issue last November is only convertible if the Taiwan market is open to foreign investment on the due date.

"We have a very serious money supply problem, and the SEC is being very careful about approving these bonds. The funds generated must be used offshore and are not allowed back here. And we do not wish to see companies just deposit the funds and get the interest," says Mr Lu.

More than 20 companies, including Far Eastern Textile, Wei Chuan Foods, Formosa Plastics and Taiwan Glass, have applied to float Eurobonds to finance their various overseas investment projects. However, to promote "internationalisation and liberalisation," the Finance Ministry decided in January to allow Merrill Lynch and Shearson Lehman Hutton to set up the first foreign securities brokers on the island.





KEY FACTS

Area .... 36,000 sq.kms (13,900 sq. miles)
Population .... 20.10 million
Head of State .... President Lee Teng-hui, elected by the National Assembly. President's term of office expires in 1996.

Capital city .... Taipei
Language .... Mandarin Chinese is the official language, although a Fukien dialect is spoken by most. English is widely understood.

Currency .... 100 cents = 1 New Taiwan dollar, (NT $)
Average exchange rate .... 26.3 NT$/US$

■ SOCIETY

	Average 1979-89	1988	1989
Unemployment		1.7%	n.a.
Literacy rate			92.6%
Life expectancy	70.5	70.99	n.a.

■ ECONOMIC INDICATORS

	Average 1988	1989
Total GNP (US$ m)	113,711	139,382
Real GNP growth	6.5%	7.4%
GDP per capita (US$)	5,743	n.a.
Current a/c balance (US$m)	10,167	9,158
Exports incl. non-factor services (US$m)	60,316	67,132
Imports incl. non-factor services (US$m)	46,511	54,432
Trade balance (US$m)	13,805	12,700
Trade dependency*	93.9%	87.2%
Import volume growth rate	30.0%	7.0%
Export volume growth rate	10.4%	2.7%
International reserves (US $bn)	79.3	79.0
Gold reserves (US$m)	2,698	5,395
Debt as a % of GDP	12.2%	8.6%
Interest rates	6.2%	7.8%
Inflation	1.3%	5.0%

* Exports plus imports as % of GNP.
Sources: EIU; Republic of China Yearbook; Anglo-Taiwan Trade Committee, 1990.

Political and economic issues

Rising pressures for reform

AS THE maverick opposition legislator Mr Chu Gao-jeng pointed out in a recent interview, there are some very clever people in the senior ranks of Taiwan's ruling Kuomintang (nationalist) Party. And until this year, when things began to go seriously awry, it was widely believed that those people had the ability to pull off a politically brilliant stunt.

But there have been few old authoritarian regimes anywhere that have sincerely tried to introduce democracy and stay in power, and surely none that have had so many other hot potatoes to juggle at the same time.

Undermined as it is by a dangerous lack of internal democracy and consequent infighting of a kind not seen for 40 years, the KMT is now struggling to find answers to a complex web of problems:

■ How to continue dismantling the remnants of a pervasive security apparatus, and the party domination of social groups, unions, schools and colleges, and cope with an explosion of violent crime and public disorder.

■ How to respond to growing pressure for immediate and full democracy at all levels, but keep the opposition down until the KMT is sure that it can comfortably win in a completely open and fair contest.

■ How subtly to change the very basis of the Government's claim to legitimacy from "recovering the mainland" to a more practical and realistic stand. The Government's new foreign policy offensive, aimed at bringing Taiwan out of isolation, will not get the support of significant countries unless its claim to be the ruler of all China is officially dropped.

Until this happens, Taiwan's entry into GATT and other international organisations will remain a pipe-dream. But here things get even more complicated – burying the myth of recovering the Chinese mainland is anathema to the vast majority of the members of the National Assembly. They only re-elected Lee Teng-hui President in March after hearing his earnest assurances that this is still the KMT's ultimate goal.

Moreover, the assembly is the only body with the power to recall the President and amend the constitution. But the kind of complete democracy that many people are demanding will require an overhaul of the entire governmental and parliamentary system. This will effectively transform it to a fully representative, efficient independent local authority, and that worries both the KMT old guard and, more importantly, the gerontocracy in Beijing.

Military police in riot gear battle assemblymen from the Democratic Progressive Party to prevent entry to the National Assembly. DPP legislators were barred in March this year from entry for refusing to take a pledge of allegiance to the Nationalist-run Republic of China.

Democratic reform and the thawing of relations with China were started by the late President Chiang Ching-kuo in 1987.

Many of the old mainlanders who dominate Taiwan's legislature and its national assembly were opposed to both of these moves. But the KMT and the majority of the people were content to wait for these stalwarts to retire or die quietly in their seats, to be replaced by locally-elected members.

However, democratisation, and Taiwanisation of the Government have not kept pace in the last three years with the phenomenal rise in personal wealth. Public awareness of Taiwan's relative state of democracy grew with the easing of restrictions on travel and the liberalisation of the press.

Respect for the KMT "old guard" began to turn to impatience as they repeatedly refused to retire even when offerred enormous pensions. With the successive fall of socialist governments in Europe in late 1989 and early this year, frustration with the pace of reform here grew more intense.

To many people it looked as though the Soviet Union, for so long portrayed as the greatest ideological enemy, now had a more democratic parliament than did Free China itself.

In March, a last-ditch attempt by the National Assembly to put a member of the Chiang family in power and to clamp down on the increasingly representative parliament was the last straw. A serious riot by opposition party supporters, a public rally by 15,000 people, and a sit-in and hunger strike by students led to promises of speedy and basic reform.

Members of the KMT and the opposition Democratic Progressive Party, plus academics, business and civic leaders will hold an emergency conference on national policy on June 28. They will discuss amending or freezing the constitution, parliamentary reform, central and local government and policy toward mainland China.

Although none of their conclusions will be binding on the KMT, a series of referenda may then be held.

Under a programme of intense persuasion, they should all be gone after two years. With a backlog of more than 300 bills waiting to be debated and passed, the creation of a working legislature is considered vital.

In the past two years, when sessions have not been disrupted by the DPP minority filibustering or brawling on the floor, they have been cancelled due to lack of a quorum. Some of the most urgent bills are intended to stop the deterioration of social order and improve the worsening investment climate.

President Lee said that this was a major concern when he nominated the four-star General Hau Pei-tsun as the new Premier. Although many KMT reformers and opposition members have denounced this as another move by Lee Teng-hui to strengthen his own power, the business community has reacted favourably.

Although the huge volume of investment in Asia has brought a rapid rise in exports to the region, Taiwan's trade surplus in the first quarter was down 35 percent on the same period last year, and a small deficit was even registered in February.

Meanwhile the central bank's continued squeeze on credit and the growing amount of capital flowing offshore have brought M1B growth down from an annualised 30 percent a month a year ago to less than ten percent.

While this has cut growth in the Consumer Price Index from January's four percent year-on-year to 2.8 percent in February, falls in the main manufacturing and economic indeces are raising fears of a recession.

The Government aims to achieve a seven per cent economic growth rate this year by increasing spending on large infrastructure projects.

This should in turn stimulate domestic demand to compensate for the decline in export growth. But some economists think that a more realistic figure is about 6.5 per cent. They say that private consumption has increased by 12 percent in the last two years and cannot be expected to continue at that rate, particularly with the slump in the stock and property markets.

However, reduced land speculation, coupled a certain amount of "flexibility" in the Central Bank's tight monetary policy may make it easier for companies to acquire land for investment projects.

If the indicators worsen in the second quarter, the Government may further increase investment in a bid to boost the economy.

But Dr Chou Ji, a research fellow at the Government's economic think-tank, points out that there is a long lag-time between government spending and any resulting rise in consumption.

Slackening foreign investment, and continued low spending on R&D by domestic industry may bring a recession before the transition to high value-added, high technology industry is complete.

Peter Wickenden

FOREIGN BANKS

Scope for activity widens

WHAT is now the world's largest bank was also the first foreign banking group to set up in Taiwan, where its presence dates back 31 years. Yet it has been joined by none of its compatriots, and its range of services is restricted perhaps as much by its own political masters as by the authorities in Taipei.

Japan's Dai-ichi Kangyo Bank (DKB) may within the next year see the arrival of a few other Japanese institutions. Bank of Tokyo, a large bank with a special foreign exchange role, said recently that it was in talks aimed at opening a representative office.

But the Japanese Ministry of Finance says it knows of no firm plans, and is clearly not promoting closer financial links with Taiwan at a time when Japan is seeking a special relationship with mainland China.

"Opening branches is rather difficult diplomatically," a ministry official in Tokyo adds.

Taiwan has been acting to broaden the permitted scope of activities for foreign banks, more of which continue to arrive from other countries.

Swiss Bank Corporation this month became the first of Switzerland's Big Three to gain representation. Barclays is later this year due to join Lloyds which until now has been the only big British clearing bank there.

A total of 33 foreign banking groups have branches on the island, with net assets approaching US$10bn.

Three will be allowed to open each year, itself a recent increase from the previous two. This year's latest batch of changes to the Taiwan Ministry of Finance guidelines, under which banks operate, brings five further main liberalisations.

■ A bank may apply to establish a representative office if it is among the largest 500 in the non-communist world, by assets. Previously it had to be in the top 150.

■ It may convert this to a full branch after one year rather than two.

■ Special dispensation will be considered in the event of a banking merger or acquisition, or if a Taiwanese domestic bank opens in the foreign bank's home country.

■ Permitted activities have been widened further in the securities and trust sectors allowing the acceptance of savings deposits.

■ A branch may accept New Taiwan dollar denominated deposits equivalent to 15 times its capital, up from 12.5 times. US bankers in particular had campaigned for an increase to 25 times and for account to be taken of their retained profits in making the calculations.

Under an unusual rule, the banks are required to set aside 10 per cent of their profits each year, as automatic provisions for their lending portfolio, until the sum equals their issued capital. More broadly, though, liquidity requirements are regarded as reasonable compared with some other jurisdictions, and bankers commonly characterise the attitude of the authorities as slow but fair.

Mr Chen Mu-Tsai, director of the Department of Monetary Affairs, remarks: "We must liberalise internally as well. Sometimes we will go more rapidly from the domestic side, sometimes from the international side. We would like to liberalise internally first but the US always gives us great pressure."

In recent years, authorities can take a tough line when it suits them.

In one curious incident last year, DKB put in train plans to enter the trust and securities sectors in Taiwan.

It had got as far as submitting its plans for approval to the Taiwan Ministry of Finance when its counterpart ministry in Tokyo told the bank to withdraw. It is unclear whether DKB had acted too much off its own bat, or was receiving conflicting signals from Tokyo.

But the affair exemplifies the difficulties inherent in Taiwan's disputed international status at a time when the island's capital wealth, plus its moves to deregulate, have started to fuel enthusiasm in the private financial sector abroad to a point beyond which some governments are prepared to tolerate.

Foreign banks: assets, loans and discounts

Year	Total assets in NT$m	Loans and discounts: Government enterprises, NT$m	Loans and discounts: private enterprises, NT$m
1978	51,505	3,441	41,718
1979	66,855	7,014	52,399
1980	93,415	12,795	72,491
1981	120,253	25,888	80,378
1982	117,167	29,474	68,619
1983	110,823	15,360	79,275
1984	114,218	11,321	79,757
1985	114,125	7,056	75,688
1986	142,449	5,857	95,297
1987	222,041	7,961	112,173
1988	193,487	5,252	132,537
1989	242,798	6,214	176,517

Source: Central Bank

At the local branch of Security Pacific, the West Coast US bank Mr Barry Heimbigner, general manager, accepts the need to open up the state's own banking sector but says: "Our biggest problem at times here is funding our operations. Typically, it should come from deposits, but you are often forced into alternative financing sources through the inter-bank market."

With the rates prevailing there, this means that the bulk of its loan portfolio and those of and its foreign competitors is funded at around 12 to 14 per cent.

Thus, set against the huge low-interest deposits of the local banks, "on the funding side there is a 500 to 600 basis point differential — you can lose a deal on just one or two basis points."

There are also restrictions on foreign currency liabilities. These affect the banks' ability to lend, for example, at the more favourable US dollar rates, and to use swap funding for local currency loans.

US and Japanese banks, in Taiwan as elsewhere, have the additional handicap of home-country laws separating banking and securities work.

Although these boundaries established by the Glass-Steagall Act and its Japanese equivalent have in some respects become blurred in recent years, authorities can take a tough line when it suits them.

At the Taipei branch of DKB Mr Mikio Hoshino, joint general manager, presides over a loan book which he says, without disclosing its overall size, has been growing by an annual 20 per cent.

"We are the only Japanese bank. Most would like to set up representative offices or branches because the Taiwanese economy has developed so rapidly," he adds.

Indeed, Taiwan is going through much that is in Japan's recent experience — capital surplus, a rising currency, piecemeal deregulation, and overheated securities and property markets.

Among other things, the very conditions have emerged which at home in the 1980s brought over to Taiwan the Japanese manufacturers that form some of DKB's main corporate clients. The branch has been casting around for other activities to supplement its traditional corporate and trade finance because high wage levels mean Japan's electronics and automotive companies are less likely to choose Taiwan in preference to other Asian locations. (They have in many cases incorporated the local operation through a Hong Kong subsidiary, putting it at arm's length from Tokyo ministerial strictures. However, the MoF official sees this as inappropriate for banks, where there are customer deposits involved.)

High wages have also hit the banks directly: during last year's stock market boom there was a drift of staff away to securities houses, and a bank clerk in Taipei now commands a salary about three times that of his or her Hong Kong counterpart, according to Mr Tony Townsend, group vice president of Hongkong and Shanghai Banking Corporation.

It was among the banks which were last year eventually permitted to add a second Taiwan branch, in Kaohsiung to the south. Hongkong Bank continues, though, to do more foreign business on the island than local, a position Mr Townsend describes as unusual when compared with its operations elsewhere. The bank is notably active in channeling domestic Taiwanese capital into trade ventures with China. With direct investment flows still banned, the British territory plays its entrepôt role to the fullest.

"Hongkong Bank does very nicely out of it," observes Mr Townsend. A third outlet for each of the more established groups is awaited, although this goes little way towards satisfying those institutions whose appetite favours retail banking — notably Citibank of the US, which invested in a local trust company, gaining what rivals see as a clever backdoor route to more than half a dozen extra branches.

Meanwhile — to gain a presence somehow — large commercial banks from Japan are said to have put in place a significant number of staff secondments with Taiwan's domestic banks.

The intention is that their person on the ground will be able to channel information if not always send business their way. The Taiwanese authorities appear content with both such types of arrangement. But they exemplify a tricky operating arena in which, as one foreign banker puts it, business takes place in the small sector of activities which are clearly allowable — and in the rather larger spectrum ranging from there until one reaches what is clearly not allowable.

If a branch stays entirely within the limits of the former, he goes on, "you will operate a very squeaky-clean business, and employ very few people, and make very little money. You have to step into the grey area. You need to operate a little more like the Chinese: they just get on with business."

Gordon Cramb

DOMESTIC BANKS

Liberalisation plans

THE LOT of an ordinary manager or loans officer in Taiwan's big government-controlled banks does not sound a happy one. Each employee who grants a loan has traditionally been made to bear personal responsibility for the sum involved.

From anyone else's point of view this might seem a worthy state of affairs, which if applied elsewhere might have made the Latin American debt position look decidedly different. Instead, it is just the most graphic of several big impediments to modernisation and competition in the island's banking system.

In practice, staff do not routinely lose their life savings on one imprudent judgment. But the non-performing loan is carried on the bank's books until the officer involved retires. Then only can it be written off.

Staff sizes, pay scales and budgets are also regulated by the state for the banks under its wing. This did not much matter until, in the past year, Taiwan began a phase of banking liberalisation.

The moves came partly in response to US trade pressure,and partly out of a need to diminish the attraction of the country's vast network of underground finance houses, where there had been some spectacular crashes.

Within a year the first of a new batch of domestic private sector banks is expected to appear, while interest rates have been freed and the foreign bank branches have also recently gained permission to offer certain savings accounts and longer-term loans.

Those in charge of the bigger domestic institutions argue that everything is happening in the wrong order, and that their needs are being overlooked.

Foreign bankers may cast an envious eye over their huge low-cost deposit base. This, though, is a movable feast where the usual degree of customer inertia may not apply.

The Taiwanese population has amply proved its financial agility in the amounts of family cash churned through the stock market. This is in part reflected in the deposit turnover rates for cheque accounts held through domestic banks. In the last decade the level of activity on these accounts relative to the balance in them has increased by three times.

With more competition, the same thing may start to happen to the banks' more slow-moving savings deposits, where over the same period the annual rate of movement on the accounts has barely changed.

Mr K.S. Liang, chairman of Bank of Communications, says the opening up of the market "will bring a great deal of change in the banking community," adding: "I'm not against that. It will make the market more competitive and improve the efficiency of the allocation of financial resources."

However, the conditions which the authorities will place on those establishing new banks are likely to bring a difficult period for the established commercial banking groups — not because the requirements are too lax, but more because of their severity.

Through stepped-up marketing of their own, the big banks maybe able to avert large deposit outflows. However, the new rivals will start with minimum paid-up capital at NT$10bn each.

Although this makes setting-up a bank rather more costly than elsewhere in the region, they are likely to rank in the world's top 500 and on the lending side will gain significant room to manoeuvre before being troubled by international standards on asset ratios.

Moreover, they are likely to soak up staff from the existing banks at all levels. Executives of the new institutions are required to have experience in the banking sector, while counter and office staff will be tempted over by the better salaries that will be on offer.

"This will cause a great deal of trouble especially for the domestic banks where pay scales are relatively low," says Mr Liang.

Of the NT$10bn at least 20 per cent will be open for subscription by the public in a share flotation, with the rest being put up by the promotors. Because of the sums of money involved, these are expected to be drawn from the top tier of Taiwan's industrial and commercial groups.

It is understood that applications are being prepared by interests associated with Rebar Group, a textiles, construction and service conglomerate; Pacific Electric Wire and Cable, which last year bought a group of savings and loan institutions in Texas; and among others Formosa Plastics and Evergreen Marine, two of the country's richest and most internationally active groups.

This would produce a series of seemingly Japanese-style financial/industrial groupings, although the authorities insist there will be strict curbs on intra-group lending. Applications close in mid-October, and the number of licences which will eventually be granted remains unspecified.

The best guess in Taipei is about a dozen, and probably not all at once. Separately, a number of the island's eight investment and trust companies are seeking to convert to full bank status. This would give them complete deposit-taking rights as well as the ability to make short-term loans and undertake foreign exchange business.

Domestic banks

Year	Total assets in NT$m	Foreign assets in NT$m
1978	888,796	234,366
1979	970,445	280,136
1980	1,099,220	237,885
1981	1,138,614	130,337
1982	1,573,094	170,063
1983	1,805,427	211,359
1984	1,818,575	242,093
1985	2,127,524	338,301
1986	2,596,284	221,573
1987	3,180,051	125,129
1988	3,723,286	160,126
1989	4,523,061	206,846

Source: Central Bank.

They argue that commercial banks have been allowed to set up trust departments, and that restrictions fly in the face of a world trend to universal banking.

Mr Kenneth Lo, president of China Trust Company, says of the authorities: "They wanted separate specific banks. We tell them banks in the world are becoming like department stores, where you can get anything."

China Trust claims assets of NT$100bn-plus, capital of NT$10.5bn, 11 branches, and more than 30,000 shareholders. Although the trust sector has had its share of scandal in previous years,bankers show sympathy with the idea that the trust companies' operating experience should qualify them for a commercial bank licence ahead of any entirely untried entrant. But the Finance Ministry will put no timetable on this process, saying only that a separate set of regulations is being drafted. Mr Lo remarks: "We have talked to the authorities over the last two years, or you could say 10 years even."

Taiwan's three biggest commercial banks have about 100 branches apiece. In the past month they have undergone a partial privatisation, with the Finance Ministry selling its minority holdings. About half their equity, however, remains in the hands of the Taipei provincial government, elements of which are resisting early moves to sell this down.

The three — Chang Hwa, First Commercial, and Hua Nan — together account for about 40 per cent of the island's deposit base. The offering put a market capitalisation on each bank of close to US$10bn, and the sale is due to raise nearly US$1bn for the state.

Inside Taiwan, as well as the usual banking relationships with foreign institutions, some of the larger domestic groups have had notable success in marketing unit trusts managed by firms such as Fidelity, MIM Britannia and Jardine Fleming — in whose case their sales roughly equal the amount sold directly through the local JF office.

But their foreign activities, beset by diplomatic difficulties, are not extensive. The China problem means that none has a presence in Hong Kong, the conduit for much direct investment into the mainland. There is a danger too that as Taiwanese capital flows in rapidly increasing amounts elsewhere in the region and to the US, the domestic banks will be short-circuited or marginalised.

The authorities are concerned about this. Late last year Mr Samuel Shieh, the central bank governor, arranged for a small portion of Taiwan's official reserves to be placed with such branches as they do have overseas. He describes the intention as "to strengthen their hand and help local industry go abroad," asking: "In Japan's case, does industry go first? No, the banks go."

Gordon Cramb

Jostle for new bank licences

Continued from page 1:
strong surge in the stock market will revive the drift of workers away from ordinary jobs, deserting Taipei's construction sites for street-corner stockbroking shops when a few investments gains them a rung on what appears a far easier ladder to climb.

But if gambling is, as some will argue, an ineradicable part of modern Chinese culture, then so is saving. The challenge for the Government is to improve rewards in the domestic banks' deposit system.

This began last July with the removal of interest rate ceilings, and is continuing within the next year as the state's large and hidebound banking groups are privatised and new private sector competitors are created.

Taiwan's leading industrial and commercial groups are jostling to secure one of the new banking licences on offer. The high level of capital they are required to put in will make the successful institutions capable of stepping directly into the world's top 500.

In the light of this, the authorities have agreed to set the same entry requirement for foreign banks, which previously had to rank among the global top 150. More big European banks are arriving this year as the island attracts attention beyond Asia and North America.

Foreign banks remain restricted in their deposit-taking abilities and so suffer higher costs for funds on their loan books. As the domestic banking sector opens up, however, there is scope for more co-operation between the two groups. Investment banking is one area where, if Taiwanese takeover activity abroad continues to rise, their respective knowledge should complement each other.

Mergers and acquisitions within Taiwan will continue to be limited by the family nature of many large businesses and a Chinese reluctance to relinquish or share control. Transactions abroad will similarly be governed by a requirement that existing management gives way.

One foreign banker cites a proverb: "Better the head of a chicken than the tail of an ox," meaning M&A deals will be struck only on the basis of "small 'm', big 'A'."

Taiwanese business, with the capital it has to offer, is seeking western technology, and the brand names that go with it. Senior politicians are keen on the development, even to the point of using state or party funds to take an equity participation.

Another foreign banker comments: "There seems a degree of support from people in positions of power to make these things happen."

Outward investment has risen swiftly this year, says **Ian Rodger**

Nervous talk of capital flight

OUTWARD DIRECT investment from Taiwan has grown so rapidly this year that the cash-rich country is suffering a net capital outflow and there is nervous talk in some quarters of capital flight.

In March, the nervousness even extended to the country's central bank, prompting the governor, Mr Samuel Shieh, to urge people not to lose confidence in the currency.

There is certainly no reason for anxiety yet about the level of the country's foreign reserves. Although they are well down from the peak of US$76.7bn in 1987, they are still at US$69.4bn, the largest in the world and enough to cover nearly two years of imports.

Also, it is well understood that there was a large speculative element in the inflow of investment funds in the past few years as investors tried to ride the rise in the NT dollar. Now that the prospects for further currency appreciation seem limited, it is not surprising that a lot of hot money is leaving.

However, setting aside the hot money, the outward flow of funds into real industrial investment projects has grown very rapidly indeed. In the first four months of the year, a record US$368m worth of overseas investment projects was approved by the Ministry of Economic Affairs.

The aggregate value of the 102 projects was more than four times higher than in the same period of 1989,but ministry officials admit that the actual value is somewhere between seven and 10 times larger.

Many companies would prefer not to tell the Government of their plans and, as long as their outward remittances are under US$5m at a time, they can move without seeking approval.

According to official figures, 34 projects worth US$69.42m went to the US, the most targeted country. However, industry ministry officials suspect that China attracts as least as much investment from Taiwan as the US.

In the first quarter, the Chinese province of Fujian, adjacent to Taiwan, approved 259 Taiwan funded investment projects and provincial authorities said hundreds more were waiting approval. The total of Taiwan investment in Fujian to the end of last year was US$700m and it had jumped to US$1.24bn at the end of the first quarter.

The second most popular destination for industrial projects is Malaysia, where 16 new projects worth US$30.91m, have been approved in the first four months. According to Malaysian figures, more investment projects came from Taiwan (119) in the first eight months of last year than from Japan (87), although the aggregate value of the Japanese projects was higher.

Leaders in overseas investment

The Taiwanese industries most active in overseas investment were banking, electronics, electrical appliances and services. Officially, the Government welcomes the outflow, seeing it as an investment in the internationalisation of Taiwanese businesses and the normal working of natural competitive advantage.

"We encourage outward investment for technical transfer," Mr Kuo An Hsu, vice minister of economic affairs, says. As Taiwan's wealth increases, lower value-added industries must seek out lower cost production centres, such as China and southeast Asian countries, to remain competitive.

For example, Evergreen, the huge shipping group, is building a NT$2bn factory in Malaysia to manufacture containers. The company said the move was necessary to overcome high labour and land costs in Taiwan. It will, however, continue to manufacture special purpose containers in Taiwan.

Officials also take some consolation from the strength of inward industrial investment. In the first four months of the year, the Government approved projects worth $627m. While that is nearly 16 per cent lower than in the same period of 1989, it is still healthy. and mostly in high value added sectors, such as electronics and pharmaceuticals, or in services, notably retailing.

However, there has been concern lately about the offshore investment activities of some higher value added industries, with officials fearing that this is, to some extent, a reflection of a deteriorating social climate in the country or of growing hostility among Taiwan people to industrial pollution.

The Government is trying to respond to the first problem, most recently with the appointment of General Hau Pei-tsun, the former defence minister, as prime minister, but has been startled by the second.

Government officials are plainly upset by the plan of Mr Yung Ching Wang, the leading Taiwan industrialist, to build a US$7bn basic petrochemical plant in China. This has been proposed at the same time as residents in Kaohsiung in southern Taiwan have been campaigning vigorously to block the plans of state owned China Petroleum to invest NT$15.3bn in a fifth ethylene plant because of environmental worries.

Early this month, two-thirds of all registered voters voted in a referendum on the proposed naphtha cracker and opposed it by a margin of nearly two to one. Mr Hsu said if the deal

Continued on facing page

Mergers and acquisitions

Cross-border deals dominate

MERGER and acquisition activity in Taiwan looks a bit like the local stock market – very volatile.

Interest in this sector developed rapidly a few years ago when the revaluation of the Taiwan dollar and the accumulation of huge cash reserves by many of the country's successful companies seemed to create the ideal climate for M&A activity.

In addition, the Government, seeing the need for many companies to gain access to technology and overseas distribution outlets, has provided encouragement. The Ministry of Economic Affairs' Industrial Development and Investment Centre (IDIC) has set up a fund to provide bridge money for companies entering into M&A deals and China External Trade Development Council (CETRA) has set up its own M&A advisory team.

The M&A scene in Taiwan divides fairly neatly into two categories – that involving the activity of very large companies and that concerning the huge number of small and medium-sized, export-oriented companies. The interest of both groups is almost exclusively in cross-border M&A deals. Chinese businessmen are notoriously independent-minded and, even on the rare occasions when local deals occur, they are likely to be negotiated directly rather than through intermediaries.

The first foreign acquisition by a large company, the purchase of an ICI chemical plant in Texas in 1985, came shortly after the Government indicated that it would welcome outward investments. Other deals by large companies have followed at a modest pace. In 1987, Acer, the big computer company, bought Counterpoint, a California, mini-computer maker.

Last year, Pacific Electric Wire and Cable bought eight savings and loan companies in Texas for $37.5m and later picked up 50 per cent of the Conrad International Hotel under construction in Hong Kong for $106.3m. Also last year, Continental Engineering bought American Bridge for a little over $100m. And last December, a group of Taiwan investors, including Mitac, the leading personal computer maker, got together to buy Wyse Technologies, a troubled Silicon Valley computer maker, for $268m.

Not surprisingly, once the word was out that Taiwan companies were interested in international M&A,the world's investment banks despatched M&A teams to Taiwan to try and scoop up some fat fees for their services.

So far, however, the results have not been brilliant, and the general prognosis is that development will continue to be quite slow. A number of foreign banks have already pulled their M&A teams out, believing they can cover the field from offices in Hong Kong or Tokyo.

Meanwhile, a new breed of more patient local groups, staffed by Taiwan nationals with investment banking experience in the US, hope they can fill the gap. According to Mr Augustus Sun, president of Pu Wei, an M&A advisory house in Taipei, there are only about five teams left.

Meanwhile, at the small end of the spectrum, progress has also been slow. M&A specialists in Taipei say there is no lack of opportunities. The message from the Acer-Counterpoint and Wyse deals has not been lost on other Silicon Valley companies that are uncertain about their future, and several have come to Taiwan to seek alliances with cash-rich Taiwan companies.

However, some get discouraged when they find that Taiwanese small businesses, most of which are family-controlled, are in no hurry to open their arms to a stranger even if they have accepted the idea of cross-border alliances in principle. Blue Chip Capital Management, which claims to be the pioneering M&A advisory house in Taipei, has found that it has had to specialise in helping small companies to improve their accounting and management systems before they can even think of entertaining merger and acquisition opportunities.

Mr Sam Chang, managing director, says bluntly that most family-owned companies have no training in management and their financial management consists mainly of trying to reduce their taxes, often by using one of Taiwan's many disreputable accountants as their auditors – "we help them move on to the path of tax avoidance, rather than evasion," Mr Chang says. Even then, things do not happen quickly – "the strategic thinking of most companies is not clear. Many of them know they need to buy technology or distribution channels, but they have not accepted that the M&A route is the one they want for growth."

Ian Rodger

Case study from the smaller business sector

Exporters face new pressures

"MONEY is no problem. What I need are technology and distribution channels."

That cry for help, from Mr Scott Liu, chairman of Datatronics Technology, a small fast-growing maker of computer modems, appears to typify the plight of Taiwan's army of small manufacturers.

In the past two decades, thanks to a cheap currency, cheap labour and a favourable investment climate at home, they have built up profitable export-oriented businesses in low and medium technology industries.

In the past three years, however, their position has been undermined by a series of structural changes in the external environment. The most important has been the revaluation of the New Taiwan dollar to the US dollar from NT$40 in late 1985 to a current NT$26.

The Government, under pressure from the US and other countries, is also having to introduce laws protecting "intellectual property," thus forcing local companies either to develop their own technology or buy it in. The pace of technological advance is quickening in economics, making it more difficult to compete.

Datatronics started in 1984 when its research director, Mr Stephen Liu, then working for another electronics company, designed a modem that would match the US standard model but could sell at a much lower price.

Modems are the devices which permit telephone line communication between computers by converting digital data to tonal signals and back again. With the mushrooming use of personal computers and data banks in the last decade, demand for modems has soared. With that, standard modems have become commodity products with thin margins.

New models, with enhanced features and higher transmission speeds, are more technologically difficult to design and make.

Labour shortages have also had a detrimental affect on Taiwanese manufacturers.

These are due to real shortages in some sectors as well as because the country's increasingly-affluent people are becoming more choosy about who they work for and for how long.

Datatronics, which has a small group of a dozen research and development engineers, lost two early this year and is still trying to replace them.

Research director Mr Liu says it is difficult to attract good engineers even though salaries have gone up 10-15 per cent in the last year.

The company's change to a five-day working week used to be a recruitment enticement but Mr Liu says: "That is not special any more."

Given these circumstances, Datatronics and other Taiwanese companies are beginning to investigate the meaning and potential of that famous acronym, M&A (mergers and acquisitions). Datatronics is particularly concerned about the European market after 1992.

About 60 per cent of its $6.5m annual sales are in European countries – "we have thought about setting up an office in Europe, but it would be too expensive, so maybe we will have to do a joint venture. We have to provide better sales support anyway," says the chairman, Mr Scott Liu.

Whether those intentions will be translated into action, remains to be seen. Taiwan's small family-controlled businesses are notorious for eschewing deals of any kind with outsiders. But without outside help, their future could be bleak.

Ian Rodger

Acquisition case study

All the right ingredients for a takeover

WHEN WYSE Technologies, a 10-year-old company which had grown to be the biggest US maker of computer terminals, put itself up for sale last year, a Taiwanese buyer was to outsiders a surprise, but in many ways the obvious choice.

Although leading private sector commercial groups in Taiwan have been looking for places to put their cash, and gain access to brand names and technology, big foreign takeovers remain a rarity.

In the more special case of Wyse, all the right ingredients were there – from a local perspective, anyway. Mr Bernie Tse, the founder and chairman of the California company, was of Chinese origin. Wyse's biggest single manufacturing facility was in Taiwan. Large domestic companies there were engaged in very similar businesses.

But these conditions were not sufficient to persuade US investment bankers to take a leading role in funding the deal, which took six months to put together – in the end with help from HBU Bank, an offshoot of Algemene Bank Nederland.

Wyse was on the block because an unhappy diversification into producing its own personal computers had dragged it into loss. Moreover, the sale came at a time when calamities in the US junk bond market were making bankers fight shy of acquisition-related lending to all but the best-known corporate names, however modest the leverage.

So when a bidder emerged in the form of an all-Taiwanese consortium headed by a local trust company, its credentials were not immediately found compelling. The grouping was headed by China Trust, an investment company which is a step short of a full banking licence. It was putting up 49 per cent while others involved included Mitac and USI Far East, two electronics and commercial groups. But crucially, a fifth of the US$268m needed was to be subscribed by Executive Yuan Development Fund, an agency controlled by the ruling Kuomintang (KMT) party.

"On paper it looked like a disjointed conglomerate," says one foreign banker familiar with the transaction. "But in Chinese business you have to get into what their relationships are, and the parties all knew each other well.

"Also, the KMT fund was the legitimising dollar, saying 'This deal will work; it will not be allowed to fail.'"

There was another element to the public-private financial partnership. A main coagulant in the Wyse investor pool, although without any significant direct equity involvement, is the Industrial Technology and Research Institute (Itri), a state agency whose chairman, Mr Morris Chang, is now head of Wyse in place of Mr Tse. According to Mr Chang, back in Taipei briefly last month amid supervising the reshape of Wyse, the managerial logic behind the takeover was at least as important as the financial motivation.

"The PC and terminal businesses of Wyse are quite close to a lot of companies in Taiwan," he says, adding: "The

Morris Chang: managerial logic was important

idea was to get a group of investors together and I would manage the company."

Itri was established in 1973 as a vehicle for developing more sophisticated industry in Taiwan. It works closely with private sector manufacturers, earning its revenues from the transfer to them of technologies developed in-house, then reinvesting the proceeds in research and development.

The institute operates in areas ranging from machinery to chemicals, resources and new materials, but a large part of its work has been in nurturing the island's electronics sector – a duty put in its specific charge by the Government 11 years ago.

Mr Chang is also an adviser to the Government on information technology, and had previously worked in the US. Itri's role shows no signs of dwindling now that large private Taiwanese groups have gained the experience to compete globally.

Rather, the appreciation in the local currency has required a move to higher value-added products, placing leading-edge technology at more of a premium. In addition, Taiwanese companies investing offshore appear in Itri to have an extra armoury of expertise.

The consortium landed the deal after it was offered first to Acer, the leading Taiwanese electronics group, but it had its hands full with a memory chip plant which it had recently bought from Texas Instruments of the US.

More than 70 purchases have been recorded by Taiwanese companies of electronics facilities in the US, although most were small-scale deals with Silicon Valley operations owned by overseas Chinese.

Taiwan ranks among the world's top half dozen computer manufacturers. More than a third of its output, however, is by companies in which foreign groups have influential shareholdings, and another portion of about the same size is sold to overseas suppliers on an original equipment manufacture (OEM) basis.

China Trust and its allies, along with Mr Chang who hopes to have Wyse back in profit within a year, may help give the island more control over its electronics industry at a time when wage and currency considerations have lessened its attraction as an assembly centre for multinationals.

Gordon Cramb

The potential is great, say US companies

Foreign insurers edge closer to a developing industry

THERE is an understandable complacency about Taiwan's leading insurance companies. It comes, say foreigners with chagrin, from having their cake and watching it rapidly grow bigger as they eat it.

Moreover, the consensus is that no matter how liberalised the market becomes, the lion's share of the cake will probably always be firmly in the clutches of domestic insurers. The only difference will be that they devour it with considerably more finesse and alacrity.

One of Taiwan's less developed and more protected services, insurance is characterised by an oligopoly in which low standards of sales and service and a lack of innovation are the norms. Energetic competition has been largely stifled by the finance ministry's over-regulation and a 26-year-old ban on new domestic companies.

For the 14 non-life companies, eight life companies and the state-run Central Reinsurance Corporation, business has grown at a satisfactory pace in line with the economy.

In the non-life sector, written premium income tripled between 1977 to 1987 and in the last two years has increased 50.6 per cent to reach $1.37bn in 1989.

Cathay Insurance Co, Shinkong, and Mingtai Fire and Marine, which collectively hold more than 42 per cent of the non-life market, respectively saw their premium incomes jump by 32 per cent, 37 per cent and 26 per cent last year. Most of the increase was due to the explosion in car ownership.

Life insurance is still at an early stage of development, with fewer than 20 per cent of the island's 20m people holding any kind of policy and a personal savings rate that remains high and fairly stable.

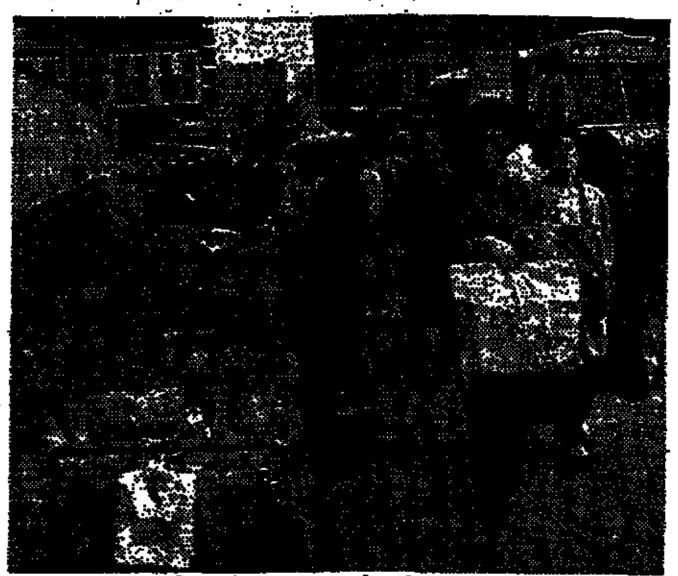
Life premiums account for only three per cent of GNP compared with seven per cent in Japan and eight per cent in the US. Total premium income for local companies has been rising by an average of 25 per cent a year, while asset growth has averaged more than 31 per cent a year in the last decade.

At present, direct foreign participation is officially limited to US-based insurers.

Non-life insurance companies

Year	Assets in NT$m	Reserves in NT$m
1977	3,470	1,974
1978	4,809	2,823
1979	6,024	3,559
1980	4,384	4,484
1981	9,221	4,744
1982	10,018	5,598
1983	11,499	6,692
1984	12,086	7,960
1985	15,009	9,265
1986	16,710	10,475
1987	21,258	12,852
1988	26,801	15,970
1989*	20,294	16,419

*As at November; from 1989 includes foreign insurers. Source: Central Bank.



Life Insurance is still at an early stage of development in Taiwan, with fewer than 20 per cent of the island's 20m people hold ing any kind of insurance policy.

Since January 1987, only two US life and two non-life companies have been allowed to set up a branch office in Taiwan each year. So far, the they have grabbed just 2.83 per cent of the market, although they all saw rapid growth last year.

US life insurers such as Aetna, Life of Georgia and American Family Life Assurance, have done negligible volumes of business and are not expecting to break even for up to 10 years.

The Americans say that although the potential is great, particularly on the life side, they are bound by unfair restrictions. This situation will continue until revisions to the antiquated insurance law, promulgated in China in 1929, pass through parliament. Industry leaders say the revisions will lay the groundwork for the establishment of several new insurance companies by powerful groups such as Evergreen and Yuen Foong Yu Paper.

The revisions will also raise the minimum third party liability for car policies from its present level of $1,500 to a more realistic $23,000. Cathay estimates that its annual premium income will then jump by at least $190m.

The Finance Ministry has made it clear that only after the new insurers have taken root will the playing field be made more level for the Americans. After that, the Europeans will be allowed in, and finally the Japanese.

No schedule has been disclosed but the process received an unexpected jab in the arm from Washington in early April. Industry insiders in Taiwan say the ministry was taken by surprise when restrictions on US insurance companies was cited as a reason for putting Taiwan on the new 301 list, the list of the countries seen to be taking unfair trade measures against the US under the Trade Act, 1988.

Hours before the list was announced, the ministry agreed that US insurers could set up three life and three non-life branches a year. The ministry also agreed to consider letting in mutual insurance companies.

Although they are glad to see Taiwan come under renewed pressure, American insurers already operating in Taiwan see little point in letting more companies in before the restrictions on their operations are removed. They are only allowed to set up one branch office.

"Service centres," where policies can be processed but not issued, can be set up around Taiwan at the rate of two a year. US companies are also thwarted by being unable to invest in stocks or real estate, and by what they describe as the finance ministry's unco-operative attitude.

They complain it takes up to a year for new foreign products to be approved. Local insurers readily admit that the ministry is influenced by biased advisers and interested legislators.

European insurers paint a more bleak picture. One way they can enter the market is through a US subsidiary, as did Royal Insurance (via Royal Insurance of America) and Nationale Nederlanden NV (via Life of Georgia).

Europe's second largest insurance group L'Union des Assurances de Paris (UAP) says it is considering this option but finds it less than satisfactory.

While European companies are lobbying the Taiwanese Government to allow them to directly write premiums, they dominate Taiwan's reinsurance market. Of the $1.37bn worth of non-life premiums written last year, at least 60 per cent of the risk was passed on to multinationals abroad, and 75 per cent went to the London market and other European reinsurers.

But the Europeans claim that they make little out of the business, for while local companies' rate of retention is low, they charge steep commissions for collecting the premiums.

Says Mr Olivier Moore, UAP's Taiwan representative: "In Taiwan, demands for reinsurance commission are much higher than actual acquisition costs. So offshore companies do not get a fair share of the premiums. If it weren't for reinsurance, most Taiwanese companies would have serious trouble."

Reinsurers put up with this, he says, because they see future potential in the market. But the losses they suffered after the recent freak storms in Europe will make them less willing to write business here this year. Another option, which the Japanese are also looking at, is to buy a stake in a local company.

In 1988, the Zurich Insurance Co acquired a direct 40 per cent stake in the Malayan Overseas Insurance Corp, a Taiwan affiliate of a regional insurance group. Zurich formed a joint venture with the group in 1983, which industry sources say gives it a total stake of over 49 per cent in the Taiwan company.

Mr Charles Wang, MOIC's president, is reluctant to discuss the details of the deal, but he confides that the Taiwan company is required to report to Zurich.

It is not clear whether the new domestic companies will be allowed to form joint ventures with foreign companies.

The Government hopes to have the entire population covered by health insurance in the next three years. The new law will also reduce the proportion of assets that local companies can invest in stocks and real estate in order to dampen speculation and ease inflationary pressure.

To compensate for this and for an increase in the rate of retention, the larger companies are looking to buy up long-term instruments on the European, Japanese and US markets.

Peter Wickenden

China would welcome direct investment

Continued from page 4:
went ahead, it would have a psychological effect on other Taiwan industrialists, enticing them to follow.

Diversification is a prominent theme in overseas direct investment practice. Pacific Electric Wire and Cable last year bought eight savings and loan companies in Texas and 50 per cent of the Conrad International Hotel under construction in Hong Kong.

A few weeks ago, a Taiwan computer company announced it had signed an agreement with Chinese authorities to develop two industrial parks on Hainan island at a cost of NT$3bn. Mr Thomas Tang, general manager of Ever Bright Electronics Factory, said he hoped the parks would draw investment from a number of small and medium-size Taiwanese companies.

It is not clear how much the Government's restrictions on investment in China are inhibiting Taiwan industrialists. There has been talk recently that the Government would soon permit direct investment in China, and Mr Hsu was enigmatic about the prospects for a change in policy.

However, indirect investments — those made through another country — are allowed, except in high technology sectors that might affect national security. The Government is in the process of drawing up a clear list of the types of indirect investment that will be forbidden.

The Chinese authorities, for their part, have made clear recently that they would welcome direct investment from Taiwan, partly in the hope that it would reduce the chronic trade imbalance between the two economies, and partly to remove the inefficiencies inherent in dealing through intermediaries.

Some Chinese provinces and municipalities are already actively encouraging Taiwan investment. Last month, the southern Chinese city of Canton announced that it would give 100 per cent refunds on local taxes to high tech export businesses, and a three year tax holiday on profits.

However, officials on both sides acknowledge that there remain big practical problems, including account settlement, tariffs and transportation. One big obstacle, the fear of nationalisation, appears to have been overcome with the promulgation of an amendment to China's investment law that rules out nationalisation, except in special circumstances.

This amendment was aimed mainly at Taiwanese investors who are not technically protected under Chinese laws.

COMMODITIES AND AGRICULTURE

US and UK join forces to defend Brent oil market

By Steven Butler

THE US and UK Governments yesterday joined forces in an apparent attempt to overturn a US court decision which claimed US legal jurisdiction over the forward market for North Sea Brent oil.

The UK's Department of Trade and Industry and the US Commodity Futures Trading Commission issued a joint statement expressing the view that the Brent market was "an international market and therefore cannot be regarded as or regulated as if it were exclusively a US market."

The statement is expected to be submitted to the US court when hearings begin in a case brought by Transnor, a small Bermuda-registered trader, against Exxon and Conoco on May 21. It could be used as the basis for an appeal against a US district court ruling in April that the Brent market was a US futures market, subject to regulation by the CFTC.

Following that ruling liquidity in the Brent market fell off sharply as traders cut back on dealing with US partners because the legal status of the market had been called into question. Exxon withdrew entirely from the market on the advice of its lawyers.

Yesterday's joint statement was understood to be part of an attempt to establish a legal basis so that the market could carry on as in the past with full participation by US traders.

The CFTC also said yesterday that a task force made up of CFTC division directors was likely top recommend that the CFTC should take no action to regulate the Brent market. The task force said the contracts fell within the category of transactions covered by the forward contract exclusion of the US Commodities Exchange Act.

This was based on the understanding that Brent market contracts are negotiated between commercial parties which have the capacity to make or take delivery of Brent crude oil, and that contracts are not offered or sold to the general public.

Until the commission makes a final ruling, CFTC staff will not recommend any enforcement action to the commission under the Commodity Exchange Act with reference to the Brent market.

The CFTC implicitly endorsed a view expressed by the DTI two weeks ago in a letter to the CFTC, where strong objections were lodged against the assertion of US jurisdiction over the market. The British Government was particularly concerned about implications that the decision could be deemed to apply to trades taking place within the UK, and that these trades might be held in the US to be illegal or void.

The US court ruled that where a market had even "slight ties to US commerce, that market is not an exclusively foreign market and is therefore deemed a US market."

The joint statement recognised that Brent traders carrying on business in the UK were authorised under the Financial Services Act under the regulation of a Securities and Investments Board code of conduct, implicitly rejecting any CFTC jurisdictional role.

It also implied that as an international market, exclusive jurisdiction over international trades could not be claimed by any single legal or regulatory authority.

Mr Patrick Thomson, president of the New York Mercantile Exchange, said this week that the Nymex was seeking clarification about the court ruling because of its potential to affect trading in US energy markets. He said that a range of markets that share characteristics with the Brent forward market could be affected by the willingness of foreign nationals to trade with US companies.

The Nymex is used frequently by participants in these markets to hedge transactions, and trading volume at the Nymex could be affected if these markets became moribund.

STATOIL, THE Norwegian state oil company, is preparing for negotiations which could start in August to lease high-grade sweet crude oil to the US for its strategic petroleum reserve, writes Karen Fossli in Oslo. The reserve, established in 1975 after the 1973-74 oil embargo, is the US's front line defence against oil supply disruption.

Statoil has access to more than 54 per cent of total Norwegian crude oil sales, while the Norwegian Government has access to about 27 per cent.

Mr Kristoffer Maroe, general manager of New-York-based Statoil North America, explained: "A Senate Bill has been prepared and a leasing proposition is likely to be adopted, we have been told, with a view to making ready by August 15 a law which can be signed for crude oil leasing."

According to Mr Maroe the US House of Representatives this week began hearings on the matter, focussing mainly on emergency distribution procedures during a crude oil supply crisis.

Counting the cost of the Ceausescu years

Judy Dempsey outlines Romania's legacy of agricultural mismanagement

THE MYTH that Romanian cows and hens produced bigger quantities and better quality under the Ceausescu regime, is now finally laid to rest in a devastating report issued by a government-backed commission.

Romanians will not be surprised by the report's findings. They have not forgotten the severe food shortages and rationing which they had to endure during the latter years of the dictatorship of Nicolae Ceausescu before he was toppled from power in last December's bloody revolution

The report is a salutary reminder, however, of the problems facing the political party which forms the next government after next Sunday's first free elections for over 40 years.

It will be saddled with an agricultural sector that is starved of investment, riddled with corruption, burdened with decades of mismanagement and bereft of experts to farm the land.

These are just some of the grim conclusions reached by the country's recently-formed National Commission of Statistics, which, for the first time in over a decade, has provided a reliable account of how the economy in 1989 was run under the Ceausescu regime.

The Commission, under the auspices of Mr Petre Roman, the Prime Minister, repeatedly shows how Mr Ceausescu falsified statistics.

His boast last autumn that the grain harvest would exceed 60m tonnes was a case in point. "In order to conceal the serious situation in agriculture, the former totalitarian system resorted to falsification (even) before the balance sheets were made," says the report. It is now known that last year's harvest totalled 18.4m tonnes, exacerbating the food and fodder shortages.

Equally, claims that poultry and dairy production persistently broke records are also refuted. Cows on the state farms produced an average 2,800 litres per year, below the 1965-1970 level. Hens on state farms laid 159 eggs a year, again, below the 1967 levels.

The Commission identifies several reasons for this persistent decline in agricultural production:

- Lack of investment. In 1989, agriculture received 16 per cent of the total investment budget of L236.4bn (£6.8bn), insufficient for replacing obsolescent machinery and for buying fuel and spare parts at a time when the regime was demanding higher output from the sector.
- Erosion. A third of the country's agricultural area is eroded. Late last year, 3.1m hectares of land, of which 2.9m was arable, was earmarked for irrigation. Few officials now believe the plan would have been implemented given that, as the report confirms, "in the last few years, about a quarter of that area had to do without irrigation, mainly because of the shortage of electricity."
- Shortage of fertilisers. The agricultural sector received 42.5 per cent of the total fertiliser production, or 1.2m tonnes of nitrogen, phosphorus and potash (the remainder was exported). The fertilisers averaged 120 kg per hectare of arable land, "a quantity that is three times less than in Czechoslovakia and six times less than in the Netherlands," states the commission.
- Poor management. Crops were planted "in disregard of the different climatic conditions, not at the right time, not on the specialists' advice, and not on the use of a workforce outside agriculture (who are) uninterested in the performance of this major activity."
- The price mechanism. The sector could not afford the high-priced industrial products, including fertilisers, fuels, spare parts and farm machinery because of the low prices paid by the state for agricultural products. The imbalance led to "low economic and financial activity of state and co-operative farms, most of which were loss-making."

Nicolae Ceausescu: contemptuous and ignorant of peasant traditions

All these problems were compounded by the leadership's attitude to the peasantry.

Although the report does not spell it out, it implies that Mr Ceausescu (who was born into a peasant family) was contemptuous and ignorant of peasant traditions, an attribute shared by his Stalinist predecessor Mr Gheorghe Gheorghiu-Dej and all post-war east European communist party leaders.

These attitudes are apparent from the incomes earned and pensions granted to the peasantry.

Those working in the agricultural sector earned L1,920 a month, below the legal minimum wage of L2,000 and well below the average monthly income of L3,100. The average monthly pension was L211, a seventh of the national average.

Against this background of neglect and mismanagement, Romanian economists and all the opposition parties vying for power on Sunday recognise the huge potential afforded by agriculture.

The questions are about how much and how quickly agriculture can bee revived. The National Salvation Front, which was catapulted into power last December, has already allowed peasants to own, but not to sell, a maximum of 5,000 square metres, which they can pass on to their children. Under the Ceausescu regime, peasants were allowed to own farm plots no larger than 200 sq m.

The Front also liberalised agricultural prices, thereby providing an incentive for peasants to farm the land and to sell directly to the cities and towns. At present, the Government is working on an investment programme that will inevitably entail receiving credits for new technology and chemicals.

But will these reforms be enough to attract people back to the land?

All political parties agree that the rapid pace of industrialisation during the 1950s and 1960s, did not in fact destroy the peasantry. Although the younger generation flocked to the cities for more money and the dream of a better life, they still kept one foot on the land.

The deprivations of city life encouraged the fledgling "new working class" into frequently returning to the villages for food and to help out with the harvest. This explains why the Romanian working class has for decades remained so incohesive.

It also offers the hope that new government may be able to persuade sections of the "peasant-working class" to return permanently to their roots and revive the country's agriculture.

Maize prices slide in Chicago

By Barbara Durr in Chicago

DESPITE TIGHT stocks, maize futures slipped lower yesterday morning after a substantial break in the market on Tuesday. The May delivery price at the Chicago Board of Trade fell 5 cents to $2.84¾ on Tuesday and another 2 cents in mid-morning trading yesterday.

Commodity funds jumped into the sell-off.

The substantial drop in maize prices this week was the first since last December, according to traders. The motives for this week's sell-off are mixed, including profit-taking and rumours about political unrest in the Soviet Union. Heavy rains in the Midwest that have delayed plantings have also added to traders' concerns.

Soviet purchases of maize have been adding upward pressure on prices for months. The US Government announced two additional sales this week to the Soviets, who are now, with 15.9m tonnes bought under this year's grain agreement, closing in on their record maize purchases last year of 16.4m tonnes.

Remaining Soviet purchases are still unclear. It usually buys less in the June through September period, though if last year's purchase of 400,000 tonnes of maize during the summer is repeated it will meet last year's record sum.

The Midwest's heavy rains helped to bring down soyabean prices as farmers were expected to substitute soyabeans for maize, which is usually planted first. And trading losses on soyabeans were partly made up with profit-taking on maize in cross market spreads.

Traders believe that by the end of the week maize prices will stabilise or resume their upward climb. Mr Nick DeBrown, a grain analyst with Goldenberg, Heymeyer & Co., said the maize market fundamentals were very strong because stocks were lower than at any time since 1973. The break in the market this week, he said, was healthy "for a bull market to clean itself out of the weaker hands."

Brazil to co-operate on curbing tin smuggling

BRAZIL HAS indicated that it will co-operate with the Association of Tin Producing Countries to help curb tin smuggling and bolster prices of the metal, delegates to the ATPC executive committee meeting said yesterday, reports Reuters from Kuala Lumpur.

"We are equally committed to bring about a reasonable tin price and the depletion of overhang stocks," a Brazilian delegate said.

Neither Brazil, the world's largest tin producer, nor China belong to ATPC. They are attending the three-day meeting, which began on Tuesday, as observers. Current ATPC members are Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire.

The association's executive committee has reviewed global tin stocks and the member states' export quotas. Delegates said stocks, which stood at 43,200 tonnes in February last year, had dropped from the October level of 38,900 tonnes, but they gave no details.

"There are signs that the overhang stock in the market is easing, partly due to the greater commitment now by Brazil to control production," a Malaysian delegate said.

The meeting has also monitored the association's fourth supply rationaliation scheme, which aims to limit member states' exports to 84,233 tonnes for a 10-month period starting last March, down from 106,400 for the 12 months ended last February.

Delegates said an initial review showed most members were abiding by their respective quotas.

The ATPC accounts for more than 50 per cent of world tin output.

A Brazilian delegate said he briefed the meeting on his country's current plans to regulate domestic output and curb smuggling.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium	+8,525	to 144,400
Copper	+5,650	to 67,000
Lead	−675	to 31,575
Nickel	+3,300	to 9,324
Zinc	−525	to 59,250
Tin	+200	to 11,290

Jamaica mounts sales campaign

By Anthony McDermott

JAMAICA HAS launched a consumer campaign to promote the sales of its fruit, vegetables, spices, tinned products, coffee, rum and cigars in Britain as a means of gaining access to the European Community when it becomes a single market in 1993.

The costs of the 15-month campaign are small – £400,000 – but Mr Gerald Tatham, the president of Jamaica Promotions Corporation, said "Britain is not only a highly important market in itself but a springboard to continental Europe." Penetration of Europe hitherto has been slight with the exception of the Netherlands. Mr Tatham leaves for Brussels today.

The campaign is also aimed at showing that Jamaica "is back in business. . . and means to do even more" after the devastating hurricane in September 1988.

Fruit and vegetable exports to Britain in the first quarter of 1988 totalled £6.2m, fell to £1.1m in the same period of the following year. In January-March 1990 they rose to £10.1m.

Row looms over floor price for Australian wool

By Kevin Brown in Sydney

THE AUSTRALIAN Wool Council, which represents wool producers, appeared to be heading for a clash with the Government yesterday over the level of the industry's floor price.

Mr John Kerin, the federal Minister for Primary Industries and Energy, made clear that he favours a cut in the floor price from A$8.70 (££3.95) a kilogram to encourage marginal growers to switch to other commodities.

He warned in Parliament that the wool stockpile managed by the Australian Wool Corporation, the industry's marketing organisation, could grow from 2.4m bales to 7.5m bales by 1993 if the floor price remained unchanged.

His analysis was based on a report published by the Australian Bureau of Agricultural and Resource Economics, which recommended a cut in the floor price to A$7, combined with an increase in the levy on growers from 8 cents to 20 cents.

The levy largely finances stockpiling of wool which fails to sell above the floor price.

Mr Kerin urged growers to study the bureau's report, and revealed that he had set out his views in a personal letter to growers posted this week. However, Mr Chip Sawers, president of the Wool Council, said it was unlikely to recommend a cut in the floor price at its key meeting next week in Roma, Queensland.

Mr Sawers said resolutions on the issue had been received from every state growers' organisation, and all were in favour of maintaining the existing floor price. The Wool Council favours an alternative strategy under which the floor price would be maintained at A$8.70, but the levy would be increased to 25 cents in order to finance the probable increase in stockpiles.

There was some support for this view from the corporation, which said its policy was to follow the guidance of the Wool Council because of the importance of a stable price regime for wool marketing.

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA and coffee prices rose strongly in London following renewed tension in the Ivory Coast which prompted fears of disruption to exports. The New York markets followed London up, and were well ahead by midsession. On the LME copper prices recovered some of their early losses following fresh strike threats from Peru. Workers at Southern Peru Copper have threatened to strike from Monday for better salaries, having only recently resumed work after a 53-day stoppage. In addition, Centromin said that it might have to close its operations because of an indefinite workers' strike which started this week.

The news from Centromin also lifted zinc prices to the highs of the day. But there was no follow-through buying interest as traders awaited further developments, and prices closed slightly down. Aluminium weakened on the early copper losses coupled with the failure of three month metal to break resistance above $1,560 a tonne. On the BFE freight futures closed firm on speculation of a tight supply of vessels over the coming month. The margin on each lot has been raised to $500 from $300 following the recent volatility in the market.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.05-5.15q	-.125
Brent Blend	$17.80-7.85q	-.10
W.T.I. (1 pm est)	$19.55-9.60q	-.215
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$229-231	+5
Gas Oil	$156-157	
Heavy Fuel Oil	$71-73	-3
Naphtha	$155-156	+0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$370.00	+2.25
Silver (per troy oz)♣	504c	-2.00
Platinum (per troy oz)	$484.65	+1.65
Palladium (per troy oz)	$116.75	+0.10
Aluminium (free market)	$1515	-20.0
Copper (US Producer)	125.75c	-2.25
Lead (US Producer)	45c	
Nickel (free market)	395c	+10.0
Tin (Kuala Lumpur market)	17.16r	-0.01
Tin (New York)	302c	
Zinc (US Prime Western)	87c	
Cattle (live weight)†	108.74p	-1.84*
Sheep (dead weight)†	212.07p	+8.96*
Pigs (live weight)†	100.76p	+4.82*
London daily sugar (raw)	$351.0z	-6.6
London daily sugar (white)	$443.5z	-6.5
Tate and Lyle export price	£324.0	-2.5
Barley (English feed)	£112u	
Maize (US No. 3 yellow)	£142.5w	
Wheat (US Dark Northern)	£124	
Rubber (Jun)♥	56.25p	+0.50
Rubber (Jul)♥	56.75p	+0.50
Rubber (KL RSS No 1 May)	229.5m	
Coconut oil (Philippines)§	$362.5z	-12.5
Palm Oil (Malaysian)§	$287.5	
Copra (Philippines)§	$235	
Soyabeans (US)	£169v	-1.00
Cotton "A" index	85.55c	
Wooltops (64s Super)	545p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jun. u-Aug v-May/Aug. w-Jun z-Jun/Jul y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	328.80	327.40	331.40
Oct	327.80	325.40	328.00
Dec	325.00	325.60	324.00
Mar	311.40	309.40	311.60
Aug	307.80	307.40	307.80
White	**Close**	**Previous**	**High/Low**
Aug	439.0	438.0	441.0 436.5
Oct	403.0	401.5	403.0 399.5
Mar	387.0	384.5	385.5 384.0

Turnover: Raw 2536 (3609)lots of 50 tonnes. White 892 (1148)
Paris- White (FFr per tonne): Aug 2423, Oct 2230, Dec 2170, Mar 2152, May 2145

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jul	17.83	18.06	18.06 17.79
Aug	17.94	18.11	18.09 17.89
Sep	18.03	18.19	18.13 18.00
IPE Index	18.02	17.97	

Turnover: 8834 (7840)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Jun	153.75	154.25	155.00 153.50
Jul	154.25	154.50	155.25 153.50
Aug	156.25	156.00	156.75 155.50
Sep	158.25	157.75	159.00 157.75
Oct	160.50	160.50	161.50 160.00
Nov	162.75	162.25	163.50 161.50
Dec	164.50	164.00	164.50 164.00
Jan	164.25	163.25	164.00 163.50

Turnover 4631 (3811)lots of 100 tonnes

WOOL

World trade in wool is negligible and only 25% of wool has gone to commercial buyers, the rest has been bought by the AWC.

Total lack of trade interest and record AWC support relates to continuing uncertainty about the floor price. Assurances have been made of an unchanged floor price of 870 cents a kg, plus a wool tax on growers of 25%.

Prices on the Bradford top market are sliding with wool values, and sentiment could scarcely be worse, but there is practically no trade to test the market.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	929	893	948 927
Jul	944	903	977 910
Sep	958	921	983 941
Dec	977	937	996 959
Mar	993	955	1011 976
May	1007	970	1025 998
Jul	1021	984	1040 1008

Turnover: 8546 (11554) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 15 1093.35 (1090.13) 10 day average for May 16 1043.32 (1039.46)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
May	647	625	657 634
Jul	668	644	680 649
Sep	681	660	693 664
Nov	697	673	700 679
Jan	707	687	708 696
Mar	719	696	720 708
May	735	710	720

turnover: 6112 (4180) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 15: Comp. daily 72.08 (70.54). 15 day average 72.83 (72.88)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	174.5	184.5	183.0 172.4
May	198.5		190.0

Turnover 223 (241) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Jun	123.00		123.00
Aug	122.00	122.00	122.00
Oct	124.00	123.50	124.00

Turnover 131 (102) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
May	1315	1298	1315 1305
Jun	1244	1224	1250 1235
Jul	1135	1122	1135 1130
Oct	1245	1227	1249 1240
Jan	1273	1258	1270 1264
Apr	1283	1265	1275 1270
BFI	1305	1305	

Turnover 355 (432)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
May	121.35	121.25	121.25 121.25
Jun	122.20	122.20	122.20 122.20
Sep	114.30	114.40	114.40 114.30
Nov	117.70	117.65	117.70 117.65
Jan	120.85	120.75	120.75
Mar	123.90	123.90	123.90
May	126.85	126.85	126.85 126.80
Barley	**Close**	**Previous**	**High/Low**
May	104.00	112.25	105.00
Sep	112.25	112.25	112.25
Nov	116.10	116.10	116.10

Turnover: Wheat 307 (309), Barley 31 (29).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	125.9	128.0	126.0
Aug	118.8	118.5	118.5
Oct	121.0	120.5	120.0
Nov	120.0		120.0

Turnover 70 (57) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 19,900 tonne
Cash	1512-4	1527-30	1517/1516	1515-6		
3 months	1538-9	1551-3	1555/1539	1540-1	1540-2	43,397 lots
Copper, Grade A (£ per tonne)						Ring turnover 34,375 tonne
Cash	1575-80	1583-5	1586/1582	1585-6		
3 months	1497-8	1495-6	1509/1493	1502-3	1505-7	78,612 lots
Lead (£ per tonne)						Ring turnover 10,300 tonne
Cash	493-5	489-91	493/490	492.5-3.5		
3 months	490-1	486-8	496/488	486-6.5	496-7	8,978 lots
Nickel ($ per tonne)						Ring turnover 2,034 tonne
Cash	8500-25	8350-400	8500	8500-10		
3 months	8480-500	8375-400	8525/8425	8500-25	8450-500	7,905 lots
Tin ($ per tonne)						Ring turnover 700 tonne
Cash	6440-50	6470-80	6445	6445-50		
3 months	6555-65	6575-80	6570/6550	6550-60	6565-70	6,277 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,325 tonne
Cash	1745-50	1765-70	1750	1749-51		
3 months	1694-5	1700-2	1710/1688	1690-5	1695-7	17,960 lots

LME Closing £/$ rate: SPOT: 1.6795 · 3 months: 1.6516 · 6 months: 1.6251 · 9 months: 1.6022

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	369¾-370¼	229¾-220¼
Opening	369½-370	221½-222
Morning fix	369.60	220.728
Afternoon fix	369.85	220.280
Day's high	370-370½	
Day's low	369¼-369¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	375-380	223-226
Britannia	375-380	223-226
US Eagle	375-380	223-226
Angel	375-380	223-226
Krugerrand	369-372	219½-221½
New Sov.	86½-88½	51½-53
Old Sov.	86½-88½	51½-53
Noble Plat	490.45-496.25	292.35-297.00
Silver fix	**p/fine oz**	**US cts equiv**
Spot	299.35	502.00
3 months	310.95	512.75
6 months	322.20	523.30
12 months	345.10	546.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1450	82	113	11	24
1550	32	56	40	64
1650	7	23	122	127
Copper (Grade A)	**Calls**		**Puts**	
2400	179	142	37	88
2500	116	96	72	151
2600	69	63	124	214
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
600	71		3	
650	33	61	15	31
700	12	36	44	56
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
900	61	88	10	31
950	32	60	39	53
1000	18	14	79	83
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
1750	43			
1800	43		42	
1850				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	369.9	370.9	0	0
Jun	370.4	372.3	371.7	369.3
Jul	373.7	374.7	0	0
Aug	374.9	377.1	376.5	374.0
Oct	380.2	382.1	381.0	380.2
Dec	384.5	386.9	386.2	384.3
Feb	389.0	391.8	389.0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
May	485.0	485.4	485.0	483.5
Jul	487.5	487.9	488.5	485.8
Oct	494.0	494.2	495.0	492.5
Jan	500.0	500.4	501.0	500.0
Apr	505.0	506.6	505.0	0
Jul	511.2	512.8	511.2	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	501.0	501.2	502.5	500.0
Jun	502.5	503.0	0	0
Jul	506.5	507.0	508.5	505.0
Sep	515.5	515.2	518.5	513.5
Dec	527.0	526.6	528.5	525.0
Mar	537.5	538.3	539.5	537.0
May	545.9	546.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	121.70	121.30	122.10	120.20
Jun	118.65	118.30	118.70	117.50
Jul	114.40	114.10	115.00	113.10
Aug	110.20	109.20	110.50	110.20
Sep	108.70	108.20	109.10	107.40
Oct	107.25	106.90	0	0
Nov	106.05	105.60	0	0
Dec	104.70	104.30	104.80	103.80
Jan	103.75	103.40	0	0
Mar	101.90	101.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	19.16	19.59	19.65	19.08
Jul	19.64	19.92	19.96	19.55
Aug	19.85	20.03	20.08	19.80
Sep	20.02	20.15	20.22	20.00
Oct	20.16	20.24	20.35	20.14
Dec	20.18	20.20	20.33	20.14
Jan	20.12	20.15	20.28	20.10
Mar	20.15	20.06	20.25	20.13

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	5140	5176	5225	5125
Aug	5230	5274	5310	5225
Sep	5390	5421	5460	5395
Oct	5490	5511	5530	5490
Nov	5580	5601	5645	5575
Dec	5660	5691	5745	5670
Jan	5715	5721	5745	5710

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1435	1398	1465	1426
Sep	1450	1414	1490	1443
Dec	1470	1435	1508	1465
Mar	1490	1454	1525	1490
May	1520	1470	1540	1540
Jul	1534	1485	1545	1525

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	93.63	91.30	94.20	92.00
Jul	95.28	93.23	98.20	94.10
Sep	97.15	96.10	98.30	96.10
Dec	99.50	97.25	100.50	97.50
Mar	101.70	99.75	101.50	100.75
May	103.08	101.25	102.25	0
Jul	104.95	103.75	0	0
Sep	103.00	103.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	14.68	14.60	14.79	0
Oct	14.61	14.55	14.67	0
Mar	14.16	14.08	14.16	14.00
May	14.08	13.94	14.08	13.93
Jul	13.97	13.85	0	0
Oct	13.81	13.67	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	74.80	75.16	75.25	74.58
Oct	69.77	70.56	70.56	69.63
Dec	67.46	67.67	67.75	67.23
Mar	68.35	68.50	68.55	68.30
May	68.70	68.90	68.72	68.70
Oct	63.00	62.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	194.95	194.85	195.00	193.00
Jul	193.90	192.75	194.10	191.15
Sep	189.80	187.60	189.80	186.10
Nov	182.25	180.90	182.00	179.60
Mar	178.00	177.05	178.00	177.00
May	176.50	176.55	0	
Jul	176.50	176.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 16	May 15	mnth ago	yr ago
1911.9	1908.5	1919.5	20043

DOW JONES (Base: Dec. 31 1974 = 100)

	May 16	May 14	mnth ago	yr ago
Spot	134.95	136.42	135.69	136.71
Futures	133.19	135.51	133.94	136.01

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	613/0	613/2	618/0	611/4
Jul	625/4	626/0	631/0	624/0
Aug	631/4	630/2	635/4	629/4
Sep	631/0	630/6	637/0	631/0
Nov	636/4	637/6	643/4	636/0
Jan	648/0	647/2	653/4	646/4
Mar	657/4	656/0	662/0	657/0
May	666/0	666/0	668/4	0
Jul	669/0	670/0	673/4	668/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	24.18	24.27	24.33	24.00
Jul	24.10	24.19	0	23.85
Aug	23.95	24.06	0	23.65
Sep	23.70	23.75	0	23.43
Oct	23.36	23.50	0	23.25
Dec	23.13	23.21	0	22.95
Jan	22.90	23.02	0	22.80
Mar	22.75	22.82	22.85	22.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	176.5	176.8	1178.1	175.8
Jul	179.0	179.1	181.1	178.5
Aug	180.8	181.2	183.0	180.3
Sep	182.6	182.8	184.7	182.5
Oct	185.0	184.0	186.0	184.3
Dec	188.5	187.7	189.8	187.7
Jan	190.5	190.0	191.0	190.0
Mar	193.0	193.5	193.5	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	282/2	284/6	284/2	0
Jul	282/6	284/6	0	280/4
Sep	277/0	278/6	0	274/0
Dec	272/0	273/0	275/0	270/0
Mar	279/0	281/0	280/6	276/0
May	281/0	283/4	284/0	279/4
Jul	283/4	286/0	286/0	281/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	389/0	383/0	390/0	0
Jul	343/6	343/6	347/4	0
Sep	347/2	347/6	351/0	347/2
Dec	361/0	361/4	363/2	360/2
Mar	365/4	367/0	0	365/4
May	365/4	365/4	357/4	355/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	74.42	73.70	74.50	73.80
Aug	73.27	72.40	73.36	72.40
Oct	75.10	74.60	75.17	74.60
Dec	75.47	75.32	75.60	75.17
Feb	75.55	75.32	75.60	75.30
Apr	76.07	75.72	76.15	75.70
Jun	73.95	73.77	74.00	73.70

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	65.00	63.50	65.00	63.75
Jul	63.67	62.17	63.67	62.60
Aug	62.10	60.60	62.10	60.90
Oct	55.32	53.82	55.32	53.90
Dec	54.67	53.47	54.80	53.45
Feb	52.37	51.57	52.37	51.35
Apr	48.32	48.00	48.32	48.00
Jun	51.25	51.00	51.30	51.10

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	64.22	62.22	64.22	62.65
Jul	64.37	62.37	64.37	62.30
Aug	62.42	60.42	62.42	60.95
Feb	60.75	59.15	60.80	59.12
Mar	60.20	58.50	60.20	58.55
May	60.77	59.30	60.77	60.00

LONDON STOCK EXCHANGE

Gains trimmed in aggressive session

EQUITY TRADERS' nerves came under strain in the London stock market yesterday as share prices were first driven ahead by strong buying of the FT-SE futures contract, and then cut back by uncertainty over the outlook for Wall Street. Prices for some of the leading blue chip issues were very volatile, making life difficult for some marketmaking firms which were accused of avoiding trading while changing their quotations.

Most of the excitement came early in the session. Shares opened quietly in pre-trading on the cash market on the back of unimpressive performances overnight in New York and Tokyo, but interest quickened when the futures market opened and both marketmakers and institutions bought the FT-SE contract aggressively, taking it to a 40 point premium at mid-morning.

It was then that the scramble for shares caused angry feelings in the underlying stock market as traders raced to buy shares in a share sector still short of stock. At best the FT-SE was nearly 25 points up at 2,237.1, raising hopes that the top end of the current trading range might be seriously tested and perhaps perhaps broken. However, the advance *ran out of steam, first because* the Footsie future premium slipped back to its recent 30 point range, and then on doubts over prospects for the new session on Wall Street.

Warnings from market strategists that the New York market could come under pressure seemed confirmed by data on US consumer prices and housing starts, which appeared to indicate a slowing economy. In the event, Wall Street opened lower and extended its fall in early trading, showing a 16 point loss on the Dow Jones Average when London trading closed for the day; a rally in New York came after the UK stockmarket had ceased trading.

The morning's gain on the FT-SE Index melted away quickly and the final reading of 2,221.1 showed a net advance of only 8.9 on the day. Turnover improved significantly, with Seaq volume at 460.6m shares against 402.4m on Tuesday.

The focus on the Footsie futures market reflected activity by institutions which often use this strategy as the first step to buying the underlying equity market, often before committing themselves to particular Footsie stocks.

Among market leaders in the frame yesterday were Glaxo, which fell smartly as London *assessed the trading statement* from Astra, the Swedish group which makes Losec, a rival to Zantac, Glaxo's high earning anti-ulcer drug. There was a rush of US demand for BP as the shares moved into a significant buying range. Speculation that Mecca Leisure might attract a bid from Rank Organisation quickened as both companies made statements.

Account Dealing Dates		
*First Dealings:		
Apr 30	May 14	May 29
Option Declarations:		
May 10	May 24	Jun 7
Last Dealings:		
May 11	May 25	Jun 8
Account Day:		
May 21	Jun 4	Jun 18

*New time dealings may take place from 9.00 am two business days earlier

Rank may bid for Mecca

CONTINUED speculation that a bid for Mecca Leisure was in the offing prompted the market's number one suspect, Rank Organisation, to say that "the options available to Rank . . . include making an offer for Mecca." After the market closed, Mecca said it had not received an approach from Rank.

Nevertheless, Rank's statement took its shares 17 lower at one point and pushed Mecca 6 higher to 79p in busy trading. Rank recovered by the close to 777p, still down a net 9, as stories circulated of a possible third bidder. Turnover in Rank was a respectable 2.7m shares, while that in Mecca rose to 12m – the second highest figure for two years.

Rank is generally believed to have made an offer in 1985 to buy Mecca from its then owner Grand Metropolitan, but to have been thwarted by a management buyout.

Polly Peck peaks

Polly Peck, the fresh fruit and electronics group, rose to an all-time high on solid institutional buying after Sansui, its Japanese consumer electronics division, advanced strongly on the Tokyo Stock Exchange.

The previous Polly Peck high of 418p, established in January this year, was broken as the shares climbed to 430p, before slipping back on profit-taking to close a net 7 up at 422p after a volume of 9.9m.

Early buying by UK and US institutions followed the 12 per cent gain by Sansui, which had been heavily traded in Tokyo where one large buyer was noted, said a Japanese equity salesman in London.

The rally in Tokyo fed into speculation in London that Polly Peck would make a positive statement at its annual general meeting next Tuesday, and might announce a restructuring of its electronics interests, including Sansui. The recent sale and leaseback of nine of its ships, for which Polly Peck received more than the market had expected, also contributed to the day's advance.

Glaxo upset

Glaxo weakened in the wake of profits figures from Swedish drug company Astra, which makes a competing product to Glaxo's ulcer treatment Zantac, the world's biggest selling drug. With the exception of European sales of the Zantac rival Losec, Astra figures were as expected.

Mr Ian Moore at UBS Phillips & Drew said that Losec had 18 per cent of the French market, compared with about 40 per cent for Zantac, and about 30 per cent for Tagamet, the number two drug in the sector made by SmithKline Beecham.

Mr Jonathan de Pass of BZW said Losec had also done well in West Germany. But he added: "The key market is in the US, where the going will be tougher and the drug has been tainted by suggestions [denied by Astra] that it might cause cancer-like reactions in animal tests. The drug in the US is licenced for a more narrow range of indications than for many markets in Europe. It will continue to knock sentiment in Glaxo from time to time."

Dr Jonathan Gelles, pharmaceuticals analyst at New York securities house Wertheim Schroder, said that while Losec was doing well in the US, it was expanding total sales rather than taking market share.

Glaxo ended at its lowest of the day, down 30 at 783p. SmithKline, after touching a day's high of 518p, retreated sharply in the last 90 minutes of trading to end a net penny down at 509p.

Bullish on BCI

There was no shortage of bullish stories in the market pushing the Blue Circle (BCI) price higher. However, dealers said marketmakers had been caught short of stock and minor buying orders had been enough to trigger the advance. BCI touched 222p before ending a net 8 ahead at 218p after turnover of 2.2m.

On a more fundamental basis, the shares were helped by news that the company had bought a 50 per cent stake in Aalborg Portland, the Danish cement manufacturer, for £93m; as one specialist put it, "a good price for a good company." He added that the Danish company fitted perfectly with BCI's stated strategy of expanding in Europe.

One story mentioned was that BCI had taken a hard look at Lafarge, the French cement group which yesterday declined comment on this week's surge in its share price. But this drew little credence in London, where dealers believed that a bid by BCI, with a market capitalisation of £1.5bn, for a French group worth £2.5bn was hard to see at the moment. Another hint was that Hanson, widely thought to have been behind an unsuccessful dawn raid on BCI some years ago, might be thinking of taking another tilt at the company.

The oils posted good gains, with BP and Shell said to have attracted strong buying interest from the US. An analyst at one of the US investment banks said US investors had been waiting for signs from Opec that it would rein in production. "The US funds have been under weight in oils and even now are only tinkering at the edges with sector weightings; the buying so far has been minor," the analyst added.

BP moved up to 326p before closing a net 6 ahead at 324p on 8m shares, with sentiment additionally helped by an agency report that Mr Robert Horton, BP's chairman, had said that BP was not about to launch a big takeover bid. Shell, reporting first-quarter numbers and scheduled to hold its annual meeting today, edged up 4 to 455p.

Enterprise Oil, a good market ahead of the buy note issued by one of the leading UK broking houses and which was published yesterday, slipped 6 to 614p on 1.3m shares. Lasmo moved up 6 to 400p as the market became aware of the latest drilling news from Vietnam. The company's latest well was said to have encountered non-commercial amounts of hydrocarbons.

Ultramar fell to 330p immediately following the first-quarter figures, which were at the bottom end of analysts' expectations, but later rallied to close only 4 off at 337p. The group was hit by reduced margins in refining in California. Mr Jeremy Hudson of Shearson Lehman Hutton said he "expected Ultramar to make up some of the lost profits later in the year," and said he expected the group to achieve net income of £125m for the year.

Next and Etam rose quickly when Amber Day, which owns upmarket menswear chains, said its shares were suspended at 48p "pending an announcement and shareholder approval regarding a major acquisition which will be a full reverse." Next eventually subsided from its peak of 67p to close at 64p, a penny up on the day. Etam held on to a gain of 5 at 135p as traders said the stock was in short supply.

In February, there were suggestions in the market that Amber Day might collaborate with Sears to split Next into its retail and mail order operations, with Amber taking the former. Sears has a near 2 per cent stake in Next.

Chart buying was behind a rise for Ratners of 6 to 228p.

Carlton Communications continued the week's good performance ahead of interim figures, due next Monday. The shares climbed 30 at one point before closing at 547p, still an improvement of 17 on the day. Turnover in this normally thinly traded stock was a high 1.3m shares.

Grand Metropolitan posted first-half figures in line with expectations, but analysts voiced concern on gearing and second-half prospects. The shares slipped 13 to 574p.

Profit-taking took its toll of Allied-Lyons, 3 easier at 450p, while in Trusthouse Forte, 6.5m shares were traded as the market digested its £300m purchase of Crest Hotels from Bass announced on Tuesday. The price rose to 67p before settling at 264p, a net rise of 5.

Hillsdown was unchanged at 245p against a rising market as worries about the impact on beef sales, after recent press reports about "mad cow disease," persisted.

Molins rose 6 to 275p as it rejected an improved final offer from its hostile bidder Leucadia National, the US financial services and manufacturing group.

Leucadia, which raised its terms from 252p to 275p, valuing Molins at £82.8m, said it had picked up another 5 per cent of Molins's shares in the market yesterday at 275p a share and now either owned, or had acceptances for, 39.7 per cent of the stock. Dealers said the new offer is likely to succeed.Some 3.2m shares had changed hands by the close.

Turnover in British Steel reached 10m shares as the price hardened 1½ to 145p in two-way trade. The company announced yesterday it was to close the Ravenscraig hot strip mill with the loss of 770 jobs, and analysts said it will include £30m of provisions for redundancy costs in next months results.

British Aerospace eased a penny to 509p in good two-way business of 1.6m shares. The company yesterday announced a co-operation agreement with General Dynamics.

The co-operation agreement between British Aerospace and General Dynamics unsettled Vickers, as dealers took the view there was a possibility of the two moving into Vickers' markets. Vickers shares rose early in the day following a positive company reception for analysts on Tuesday night. However, the shares came off the day's high following the BAe/General Dynamics announcement to end 7 up at 215p.

Firm buying was recorded in Rolls-Royce, where turnover swelled to 8.2m shares as the price gained 4 to 202p. Dealers, however, noted UK sellers once the share price touched 200p. The company said it had reached an agreement in Moscow with Sukhoi and the Lyulka Engine Design Bureau that could lead to the development of a new engine for a supersonic business jet.

News that Mr Tom King, the UK Defence Secretary, had ordered a freeze on procurement at the Ministry of Defence unsettled a number of stocks within the engineering and aerospace sectors. Among those affected was Smiths Industries, which gave up 4 to 238p, FR Group, down 3 to 158p, and Hunting, which closed unchanged at 158p. Mr Clive Forestier-Walker at Kitcat & Aitken commented: "The news could have some implications for cash flow for a number of defence contractors, hence the reaction of the share price in a number of stocks."

The building materials area of the market attracted plenty of buying interest, with RMC rising sharply by 13 to 639p, albeit in thin trading; only 375,000 shares changed hands.

Dealers said a director's purchase of shares gave confidence to McCarthy & Stone, which responded with an advance of 8 to 51p.

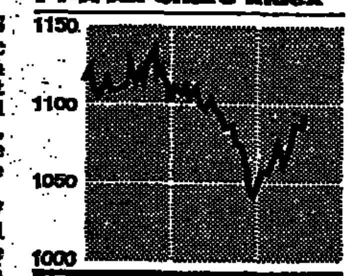
Commercial Union's first-quarter figures were not as bad as had been feared and the shares ended 4 up at 456p, after 458p. Sun Alliance, after warning at the annual meeting of substantial losses in the first quarter, were 3 better at 305p on 3.6m. Prudential attracted some determined selling to close 4 off at 202p on 2.9m.

Water stocks moved higher, with Northumbrian 4 up at 164p in response to a buy note issued by Mr Peter Hyde at Kleinwort Benson. The Water Package added 7 at £1465. Referring to recent market concerns at possible changes that could be instigated by the Labour Party after a General Election victory, Mr Chris Rowland of BZW said: "The freedom for Labour to mess around is very restricted."

Davies and Newman, which operates the Dan-Air airline, jumped 150 to 575p after stating that it was in discussions with a number of interested parties which might lead to an offer being made for the company. Traders' thoughts quickly turned to Air Europe, the UK airline, to All-Nippon, of Japan, or Delta, of the US. However, analysts doubted the likelihood of a foreign takeover, saying that a deal involving a minority stake was more likely. One suggested that an individual might be interested in buying the company.

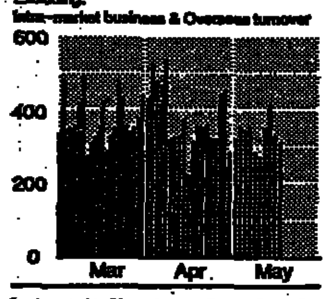
■ Other Market statistics, including the FT-Actuaries share index, Page 23

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (42).
BRITISH FUNDS (2) AMERICANS (3) BREWERS (1) BUILDINGS (3) CHEMICALS (3) STORES (1) ELECTRICALS (3) ENGINEERING (1) FOODS (3) INDUSTRIALS (6) Apollo Metals, Fisons, Lilly (Eli), Proudfoot (A), Stora "B" Free, Wood (A.), LEISURE (1) PAPERS (1) PROPERTY (1) TRANSPORT (1) TRUSTS (7) OVERSEAS TRADERS (1) MINES (7) THIRD MARKET (1).

NEW LOWS (162).
AMERICANS (1) CANADIANS (1) BANKS (3) BREWERS (1) BUILDINGS (1) CHEMICALS (2) STORES (3) ELECTRICALS (6) ENGINEERING (8) FOODS (4) INDUSTRIALS (18) AIM, Aukett Assocs., Cannon Street Invs., EFG, Electrolux, Norton, Pentland, Russell (A.), Shanks & McEwan, West Inds., INSURANCE (2) LEISURE (3) MOTORS (4) NEWSPAPERS (1) PAPERS (4) PROPERTY (12) TEXTILES (3) TRANSPORT (4) TRUSTS (13) OILS (1) MINES (18) THIRD MARKET (3).

FINANCIAL TIMES STOCK INDICES

	May 16	May 15	May 14	May 11	May 10	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	76.91	77.05	76.95	77.05	76.35	86.60	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.13	86.13	86.07	85.93	85.61	97.34	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1739.8	1731.6	1733.5	1708.8	1690.8	1792.2	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	218.0	217.8	224.2	227.7	227.9	179.4	378.5 (6/2)	216.5 (3/5)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2221.1	2212.2	2214.5	2175.9	2157.0	2155.8	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.27	5.27	5.25	5.32	5.37	4.41				
Earning Yld %(full)	11.83	11.80	11.77	11.92	12.04	10.74				
P/E Ratio(Net)(☆)	10.22	10.24	10.27	10.13	10.02	11.23				
SEAQ Bargns 4.45pm	24,385	23,680	22,957	26,050	20,474	28,528				
Equity Turnover(£m)†	-	730.42	733.95	876.75	673.81	1342.01				
Equity Bargains†	-	23,322	21,907	24,819	19,808	31,245				
Shares Traded (ml)†	-	311.8	330.1	418.6	353.2	479.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928. Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.11

Ordinary Share Index, Hourly changes Day's High 1753.6 Day's Low 1732.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1732.0	1741.3	1749.7	1743.7	1742.5	1748.2	1752.8	1751.0	1742.3

FT-SE, Hourly changes Day's High 2237.1 Day's Low 2213.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2213.2	2224.4	2228.3	2227.5	2224.8	2229.8	2238.5	2234.9	2223.7

GILT EDGED ACTIVITY

Indices*	May 15	May 14
Gilt Edged Bargains	98.3	93.7
5—Day average	104.5	108.3

*SE Activity 1974. †Excluding Intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	3,000	175	+2½	Courtaulds	476	320	+6	MEPC	715	485	−3	Slough Ests	178	384	+2
ASDA Group	2,200	101		Dalgety	460	358	−2	Manpower	1,400	77	−2	Smith (W.H.) A	893	307	+3
Abbey National	2,000	194	+1	Dixons	813	127		Marks & Spencer	4,400	204½	+1	Smith & Nephew	12,000	105½	−3
Allied–Lyons	4,000	458	−3	ECC Group	626	348	+1	Maxwell Comm.	588	182	+1	SmKl Beecham	1,600	509	−1
Amstrad	882	68	−1	Enterprise Oil	1,300	614	−6	Mecca Leisure	12,000	79	+6	SmKl Beecham Units	8	2353	−2
Anglian Water	286	152	+½	FKI	5,700	68		Midland Bank	2,300	293	−4	Smiths Inds.	694	238	−4
Argos	2,700	195	+2	Ferranti	8,200	49	−1	NatWest Bank	4,400	327	+5	South West Water	190	168	+1
Argyll Group	1,000	215	+2	Fisons	1,400	352	+2	Next	1,300	64	+1	Southern Water	273	129	
Ass. Brit. Foods	81	379	+1	Gen. Accident	377	1025	−5	North West Water	785	151½	+1	Standard Chartd.	482	483	
BAA	895	409	+1	General Elect.	6,300	204½	−2½	Northern Foods	682	285		Storehouse	4,100	109	
BAT Inds.	1,800	693	+12	Glaxo	2,900	783	−30	Northumbrian Water	30	164	+4	Sun Alliance	3,600	305	+3
BET	617	233	+3	Globe Inv.	463	189		Pearson	477	695	+4	Sun Life	2	1215	−10
BICC	808	403	−2	Glynwed Int.	257	282	−3	P & O	494	578	+5	T&N	289	164	
BOC	1,800	619	+7	Granada	477	244	+3	Pilkington	2,200	191	+4	TI Group	169	457	−1
BPB Inds.	747	218	+5	Grand Met.	7,300	574	−13	Polly Peck Intl.	9,900	422	+7	TSB	3,100	132½	+1½
BTR	2,400	405	+4	GUS A	521	959	+8	Prudential	2,900	202	−4	Tarmac	1,900	238	+1
Barclays	4,300	537	+2	GRE	1,700	222	−2	RHM	327	371	+2	Tate & Lyle	1,300	278	+4
Bass	890	997	−2	GKN	1,100	357		RMC	375	639	+13	Taylor Woodrow	343	278	+1
Beazer	181	195	+1	Guinness	1,200	874	+1	RTZ	584	539	+1	Tesco	1,700	207	+1
Berisford Int.	58	134		Hammerson 'A'	181	715	+6	Racal	5,800	204	+6	Thames Water	886	137	
Blue Circle	2,200	218	+8	Hanson	3,900	228¼	+½	Racal Telecom	427	357	+14	THORN EMI	300	680	+1
Boots	2,600	271	+1	Hanson Warrants	866	84	−1	Rank Org.	2,700	777	−9	Trafalgar House	1,900	305	+2
Brit. Aerospace	1,600	509	−1	Harrisons Crosfield	1,000	147		Reckitt & Colman	233	1179	−3	Trusthouse Forte	6,500	264	+5
British Airways	1,200	202	+1	Hawker Sidd.	481	636	+6	Redland	1,000	568	+5	Ultramar	3,200	337	−4
British Gas	6,800	211½	+3½	Hillsdown	2,800	245		Reed Intl.	371	410	+3	Unigate	827	294	
British Land	411	341	+11	IMI	1,600	221	+1	Reuters	391	1119	+15	Unilever	1,200	687	
BP	8,000	324	+6	ICI	1,700	1143	+3	Rolls Royce	8,200	202	+4	United Biscuits	1,600	334	−1
British Steel	10,000	145	+1½	Inchcape	677	251	+2	Rothmans	239	699		Utd. Newspapers	182	324	−2
British Telecom	4,900	268	+4	Kingfisher	1,000	287	+2	Ryl Bk Scotland	448	167	+1	Water Package Uts.	1	£1465	+7
Bunzl	38	89		Ladbroke	1,600	280	−5	Royal Insurance	740	433		Wellcome	149	861	−2
Burmah Oil	350	682	+6	Land Securities	1,100	480	+2	STC	1,300	253	+5	Welsh Water	174	159	+1
Burton	4,300	169	−1	Laporte	217	516	+3	Saatchi	330	101	−1	Wessex Water	443	150	+2
Cable & Wire.	1,500	503		Legal & General	1,500	375	+3	Sainsbury	2,400	282	+2	Whitbread 'A'	2,000	402	+3
Cadburys	844	322	−2	Lloyds Abbey	801	286	−2	Scottish & New.	1,600	317	+5	Williams Hldgs.	2,000	265	+4
Calor Group	380	283	+4	Lloyds Bank	4,000	288	+2	Sears	8,400	60½	+½	Willis Faber	846	278	+2
Carlton Comms.	1,300	547	+17	LASMO	1,400	400	+6	Sedgwick	1,300	249	−1	Wimpey	119	221	+2
Coats Viyella	826	109	+1	Lonrho	3,300	229	+3	Severn Trent Water	352	132		Yorkshire Water	330	166	+4
Comm. Union	621	456	+4	Lucas	305	599	+1	Shell Transport	3,300	455	+4				
Cookson	2,400	196	−3	MB Group	344	286	+1	Siebe	1,300	449	−7				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Pilkington Glass chief executive

Mr Rod Stansfield has been appointed chief executive of PILKINGTON GLASS, core business of the Pilkington group, to succeed Mr Alan Judge, who died suddenly last month. Mr Stansfield is promoted from managing director of the company's automotive business. He will also join the supervisory board of the group's German subsidiaries, Flachglas and Pilkington Deutschland. Mr Bob Jones, the group's vice-president for flat and safety glass, becomes non-executive chairman of Pilkington Glass.

■ Mr John S. Chaffe, group financial controller, has been appointed company secretary of DRUCK HOLDINGS, and a director of Druck Ltd, the main operating company.

■ Mr Jim Monteith has been appointed financial director of FOSTER WHEELER AUTOMATED WELDING.

■ Mr James William Edgedale has joined the partnership of J.M. FINN & CO, stockbrokers. Mr Donald Marner, a partner, has retired.

■ WICKES has appointed Mr Ed White as group MIS director, Wickes Europe: He was with Storehouse. Mr John Williams has been appointed corporate development director, Wickes Europe. He was director of research, Citicorp Scrimgeour Vickers.

■ Mr Denis Cummins, finance director of Standard Machinery, part of HALMA, has been appointed finance director of the group's machinery and services division.

■ Mrs Marjorie Bevan has been appointed assistant general manager (insurance) at NATIONWIDE ANGLIA BUILDING SOCIETY. She was insurance services manager.

■ Mr Brian Ashby becomes a non-executive director of SPEYHAWK from May 31. He is an executive director.

■ LEYLAND DAF has appointed Mr Ian Younger as director of personnel, organisation and quality; Mr John Gibbons as after sales director; Mr Stuart Hunt as network operations director; Mr Brian Smith as sales director; and Mr Christopher Thorneycroft-Smith as marketing support director.

■ TI GROUP has appointed Lord Fanshawe as a non-executive director. He is a director of Rank Xerox UK, Westland Group, Sedgwick Group, and Bryant & May.

■ Ms Christine Little has been appointed assistant director, service quality, at THE MORTGAGE CORPORATION. She was customer service director, The Savings Corporation.

Mr Eric Kinder (above) has become chairman of SMITH & NEPHEW following the retirement of Mr Kenneth R. Kemp who becomes honorary life president. Mr Kinder, who joined the company in 1957, was deputy chairman.

■ Mr Richard Pyper has been appointed finance director of UNITED CONSUMER MAGAZINES from July 1, succeeding Mr Alan Swinburne who is leaving to pursue other interests. Mr Pyper was finance director of The Exchange Telegraph Co.

■ Mr Robert Jones has been appointed construction director of GABLE HOUSE ESTATES, a Ladbroke Group property subsidiary. He joined the company last year from County & District Properties.

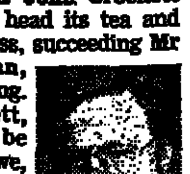
■ INFOREM, Weybridge, has appointed Mr Peter Corrigan as new business development director. He was a partner at Ernst & Young.

■ BELLING has appointed Dr Bill Fawcett as director of the research, design and development department. He was technical director, Thorn Security group.

■ Mr Bill Blyth, formerly chief executive of SCMB Zimbabwe, has been appointed a director of CHARTERED WESTLB.

■ Mr Jeremy Capo-Bianco has been appointed deputy chairman of RED BANK, Burton-on-Trent, terra cotta and heavy clayware maker.

■ CO-OPERATIVE WHOLESALE SOCIETY has appointed Mr John Crockett (pictured) to head its tea and coffee business, succeeding Mr John Dolan, who is retiring. Mr Crockett, who will be based at Crewe, with the title operations manager tea and coffee, joins CWS from Thorn EMI, home electronics international, where he was international product sourcing director. Previously, he was head, CWS food marketing.



LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99	97½	Treas 8¼pc 1987-90‡‡	99		8.29	[illegible]
98	97	Treas. 8pc Cv 1990 ‡‡	98		8.09	[illegible]
97	96	Treas. 10pcCv 1990	97		10.21	[illegible]
95	93	Exch 2½pc 1990	95		2.61	[illegible]
98	97	Treas 11½pc 1991	98		11.77	[illegible]
95	92	Funding 5¾pc '87-91‡‡	95		6.05	[illegible]
93	89	Treas. 3pc 1991	93		3.21	[illegible]
96	94	Treas 10pc Cv '91‡‡	95		10.44	[illegible]
97	94	Exch. 11pc 1991	96		11.46	[illegible]
92	90	Treas. 8pc 1991	91		8.70	[illegible]
101	97	Treas 12¾pc 1992‡‡	98		12.97	[illegible]
96	92	Treas 10pc 1992	94		10.63	[illegible]
91	89	Treas. 8pc 1992 ‡‡	90		8.83	[illegible]
97	93	Treas 10¼pc Cv 1992‡‡	94	+	11.10	[illegible]
85	82	Treas. 3pc 1992	85	+	3.50	[illegible]
100	95	Exch. 12¼pc '92	97		12.60	[illegible]
104	98	Exch 13½pc 1992	99		13.54	[illegible]
91	86	Treas 8½pc 1993	88		9.32	[illegible]
96	90	Treas 10pc 1993‡‡	92		10.84	[illegible]
103	96	Treas 12½pc 1993‡‡	97		12.76	[illegible]
85	82	Funding 6pc 1993‡‡	84		7.13	[illegible]
107	99	Treas 13¾pc 1993‡‡	101		13.56	[illegible]
91	84	Treas. 8¼pc 1994	85	−	9.65	[illegible]
111	102	Treas 14½pc 1994‡‡	104	−	13.89	[illegible]
107	99	Exch 13½pc 1994	101	−	13.36	[illegible]
96	88	Treas. 10pc Ln. 1994‡‡	91	−	10.98	[illegible]
104	96	Exch. 12½pc 1994	98		12.73	[illegible]
92	85	Treas 9pc 1994‡‡	87	+	10.34	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21¾	14¼	Chase Manhattan $12½	15¼	+	$2.36	—	9.3
19¼	14	Chem. Banking Corpn	16¼	+½	$2.72	—	10.1
12½	9¼	Chrysler $6¼	10	+	$1.20	—	7.1

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	219	ANZ SA1	232	+1	44c	1.4	8.6	8.3
196	172	Abbey National 10p	194	+1	5.7	4.3	3.9	7.9
*274	210	Allied Irish Ord	225xr	+4	Q40%	♦	4.2	♦
£13¼	£11¾	Algemene Fl.10	£12¾	+⅛	Q28%	2.1	7.3	6.4
85	73	Anglo Irish	75	.....	hQ18.7%	2.7	5.9	10.2
81	68	Ansbacher (H.) 1p	70	.....	2.5	1.9	4.8	20.2
£71⅛	£54¼	Bancaire Cie Fr100	£69¼	–⅛	Q12¼%	–	2.0	–
£22⅞	£16⅝	Banco Bilbao Viz	£19	+½	Q49.1%	2.7	4.4	12.3
£31	£24¼	Banco de Santander	£28⅞	.....	Q25%	2.4	3.9	10.6
286	224	Bank Ireland Ir£1	239	+7	hQ12%	3.2	4.9	8.2
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	104	Bank Scotland	111½	+2½	4.55	Φ3.6	5.4	6.8
100¼	83¼	Do. 9¼pc Irrd Pf	89¼	+½	9¼%	–	13.7	–
54	39	Bank of Wales	39	.....	2.8	0.8	9.6	(18.7)
599	493	Barclays £1	537	+2	27.4	3.5	6.8	5.3
22	14	Benchmark 20p	14	.....	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	317	+2	†10.5	–	4.4	–
455	361	Cater Allen £1	363	–1	23.5	–	8.6	–
179	137	Chancery	137	–2	†8.0	2.8	7.8	6.0
£23¼	£19⅞	Commerzbk DM10	£21¼	.....	Q18%	–	3.1	–
£13⅛	842	Dai Ichi KBk Y50	947	–2	hQ16%	8.8	0.3	36.2
*£313½	£267¼	Deutsche Bk DM50	£289¼	+3¼	Q28%	–	1.8	–
£20¾	£19	Espirito Santo	£19⅝	.....	Q75c	3.3	2.3	13.3
253	183	First Nat. Fin. 10p	199	.....	13.0	2.4	8.7	6.1
121	96	FNFC 6.3pc Cv. Pf.	98	–2	6.3%	–	8.6	–
£15¼	953	Fuji Bank Y50	£10¾	–⅛	Q15.6%	4.2	0.3	–
325	262	Gerrard & National	272	.....	18.5	–	9.1	–
154	138	Guinness Mahon 10p	138xd	–1	2.1	–	2.0	–
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES — Contd

1990 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
		Components							
498	420	Abbey Panels		453	.....	3.5	10.8	1.0	12.0
225	203	Airflow Streamlines	y	215	+2	6.0	4.2	3.7	8.6
190	145	Bostrom 5p	y	155	.....	5.75	3.1	4.9	7.0
266	191	Dowty 50p	β	208	−1	18.0	2.3	5.1	10.9
239	155	FR Group	β	150xd	−3	6.57	♦	5.4	♦
135	63	Kwik-Fit Hldgs. 10p	β	69	.....	2.4	1.7	4.6	17.3
694	568	Lucas Inds. £1	α	599	+1	125.0	3.0	5.6	6.8
16	8½	Spiea 5p	y	9	+½	‡0.2	0.4	‡	69.0
		Garages and Distributors							
28	19	Alexanders 10p	y	24	+3	1.0	3.0	5.6	7.2
135	110	Appleyard 10p	β	111	.....	7.8	2.4	9.4	5.2
110	75	Bletchley Motor 20p	y	83xd	.....	7.5	1.9	12.0	5.9
568	505	Caffyns 50p	β	508	+3	11.5	0.4	3.0	—
121	101	Central Motor Auctns.	y	101	.....	3.25	3.0	4.3	10.2
61	26	Cook (D.G.) Hldgs.	y	26	.....	‡1.39	—	‡	—
89	33	Cowie (T.) 5p	β	43	+1	4.2	2.2	13.0	4.0
95	68	Dagenham Motors 10p	y	75	.....	5.25	2.8	9.6	5.0
98	81	Davigdor Verlon 10p	y	93	.....	3.5	3.6	5.0	6.5
29	16	Equity & Gen 5p		20	.....	‡1.5	1.7	10.0	(7.1)
247	169	Evans Halshaw	β	169	−1	11.25	2.4	8.9	6.2
113	86	Gates (F.G.)	β	95	+2	12.75	2.6	3.9	13.2
161	106	Gowrings 10p	y	108	−5	5.63	1.3	7.0	12.1
167	118	Hartwell	β	148	.....	3.1	2.8	3.0	16.3
81	71	Jacks Wm.	y	71	.....	2.0	1.0	3.8	35.6
118	85	Jessups	y	86xd	+1	7.0	2.5	10.9	4.9
181	74	Lancaster	α	178	.....	4.5	2.7	3.4	14.9
297	239	Lex Service	β	242½	−1½	15.3	2.6	8.4	6.1
[illegible]									

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

1990 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's
		Miscellaneous						
190	138	Anglesey Mining 5p.	y	138	.....	—	—	—
110	60	Do. Warrants	y	60	.....	—	—	—
17	12½	Anglo-Dominion		13	.....	—	—	—
651	435	Bond Intl. Gold		435	−11	—	—	—
37	20	Butte Mining 10p	y	20	.....	—	—	—
44	18	Colby Res Corp.		28	.....	—	—	—
122	35	Cons. Murch. 10c		48	+6	Q30c	5.5	15.9
26	4	DRX Inc.		9	.....	—	—	—
24½	12	Eanex.Ist..Ir10p	y	12	−1	—	—	—
98	58	Europa Minerals 2p	y	58	.....	1.0	—	2.2
86	47	Geevor	y	48	.....	—	—	—
43	25	Greenwich Res.	β	27	.....	—	—	—
£10¾	£6¼	Hemlo Gold Mines		£6¼	−⅛	SQ20c	—	1.6
£14⅝	£10⅞	Homestake Mining $1		£10⅞	+⅛	Q20c	—	1.0
49½	27	Kenmare	y	28½	.....	—	—	—
16	8	McFinley Red Lake		8	.....	—	—	—
20¼	13	New Sabina Res C$1		13	.....	—	—	—
457	304	Northgate C$1		311	−2	—	—	—
39¼	10	Nor-Quest Res.		10	.....	—	—	—
93	51	Plateau Mining 20p	y	60	.....	—	—	—
605	501	RTZ 10p	α	539	+1	18.5	2.8	4.6
14	6	Thorco Res. Inc.		12	.....	—	—	—
178	150	Young Group 10p	y	160	+2	7.8	2.7	6.5

THIRD MARKET

1990 High	Low	Stock		Price	+ or −	Div Net	C'w	Y'ld Gr's	P/E
*69½	20½	ASB Barnett 2p	y	26xr	.....		—	—	—
30	14	Analysis Hldgs 20p	y	15	.....		—	—	—
53	28	Andaman Res. 10p	y	30	.....		—	—	—
95	83	Associated Farmers.		83	.....		—	—	♦
20½	13½	Automobiles of Dist. Sov	y	15½	.....		—	—	—
1½	0¾	Barbican Hldgs. 1p	y	1	.....		—	—	27.9
45	35	Biocare 1p	y	38	.....		—	—	—
[illegible]									
36	24	Sleepy Kids 5p	y	30	−1		—	—	—
2¼	1½	Swanyard Studios 1p	y	1½	.....		—	—	8.4
94	63	Tomorrows Leisure 20p	y	63	.....		—	—	24.0
55	35	UPL Group 10p	y	39	.....	‡2.75	1.9	‡	7.4
177	128	Unit Group	y	177	.....	5.0	3.3	3.8	10.1
89	59	Video Magic Leis. 1p	y	59	.....	W2.0	0.7	4.5	47.3
5¼	3¼	Vista Ents 5p	y	3¼	.....		—	—	—
18	13	Vizcaya Hldgs 5p	y	13	.....		—	—	—
43½	25½	Whitegate Leisure 20p	y	25½	.....	0.25	1.7	1.3	54.6
29	9	Do. Wrrnts	y	9	.....		—	—	—
5½	3¼	Wilton Group 1p	y	4	.....		—	—	♦

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or −
Craig & Rose £1	y	830	.....
Finlay Pkg. 5p	y	53xd	.....
Holt (Jos) 25p	y	1290xd	.....
Carrol (P.J.)	y	147	−2
Hall (R. & H.)		175	.....
Helton Hldgs.	y	74	.....
IRG		280	.....
United Drug		165	.....

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£98	.....
9pc Cap Ln. 1996	£94	.....
Fin. 13% 97/02	£112	.....
Arnotts	418xd	+18½

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5½
BAT	85
BOC Grp.	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons.	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd.	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord.	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property	
Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils	
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	18
Shell	37
Tuskar Res	18
Ultramar	31

Mines	
Lonrho	20
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
SE Asia	6	52.72	53.50xd	57.01	+0.12	2.00
UK Growth (4-1)	6	62.41	63.97xd	68.42	+0.35	3.61
UK High Income	6	34.68	34.68xd	37.09	+0.12	5.45

Mayflower Management Co Ltd (1200)F
No. 1 London Bridge, London, SE1 9QU 0303 862598

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	320.5	320.8	341.3	+1.7	5.24
Global Inc	5	49.47	49.47	52.63	+0.16	4.85
Brit Leaders	5	250.7	252.3	268.4	+1.2	3.84
Intl Leaders	5	146.2	146.2	155.5	+0.8	2.10

Medical Investments Ltd (1100)F
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Health Fund	5½	51.48	51.48	55.67	+0.98	0.30

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	5	140.1	140.4xd	149.8	(z)	0.00
(Accum Units)	5	149.3	149.7xd	159.7	(z)	0.00
American Income	5	39.58	39.58xd	42.15	(z)	7.23
(Accum Units)	5	50.98	50.98xd	54.29	(z)	7.23
American Sm Cos	5	56.98	57.88	61.74	(z)	0.00
(Accum Units)	5	57.76	58.67	62.59	(z)	0.00
British Blue Chip	5	52.18	52.56xd	56.07	(z)	3.52
(Accum Units)	5	56.03	56.45xd	60.21	(z)	3.52
Cash*	0	101.6	101.7	101.7	(z)	13.30
(Accum Units)*	0	101.6	101.7	101.7	(z)	13.30
European Growth	5	201.5	201.5	214.9	(z)	0.39
(Accum Units)	5	213.8	213.8	228.0	(z)	0.39
European Income	5	83.83	83.83	89.22	(z)	3.59
(Accum Units)	5	96.03	96.03	102.2	(z)	3.59
General	5	342.8	347.0	370.2	(z)	2.66
(Accum Units)	5	604.6	612.1	652.9	(z)	2.66
Gilt	5	77.05	77.05	81.16	(z)	10.49
(Accum Units)	5	111.1	111.1	117.1	(z)	10.49
High Income	5	45.96	46.39xd	49.49	(z)	6.77
(Accum Units)	5	52.61	53.12xd	56.67	(z)	6.77
High Interest	5	38.18	38.18xd	40.70	(z)	11.26
(Accum Units)	5	47.21	47.21xd	50.34	(z)	11.26
Income	5	106.7	107.6	114.8	(z)	5.04
(Accum Units)	5	136.4	137.7	146.8	(z)	5.04
International	5	306.0	306.0	325.1	(z)	2.38
(Accum Units)	5	395.6	395.6	420.4	(z)	2.38
Japan	5	194.3	194.3	206.5	(z)	0.00
(Accum Units)	5	199.4	199.4	211.9	(z)	0.00
Pacific	5	53.87	54.85	58.51	(z)	1.96
(Accum Units)	5	55.01	56.03	59.76	(z)	1.96
Portfolio	5	55.21	55.29xd	58.98	(z)	3.44
(Accum Units)	5	57.69	57.79xd	61.64	(z)	3.44
Recovery	5	231.2	231.8xd	247.3	(z)	3.42
(Accum Units)	5	269.9	270.6xd	288.7	(z)	3.42
UK Smaller Co's	5	42.02	42.02	44.83	(z)	2.43
(Accum Units)	5	44.14	44.14	47.09	(z)	2.43
Institutional Funds						
UK Equity May 9 F	2	333.8	340.6	349.4	.....	4.42
(Accum Units) F	2	564.7	576.4	591.1	.....	4.42
Amer Sm Cos Equity	2	54.07	54.80xd	56.21	(z)	0.00
(Accum Units)	2	54.90	55.25xd	56.67	(z)	0.00

* Compound Annual Rate

Merlin Jupiter Unit Tst Mgrs Ltd (0905)F
197 Knightsbridge, London SW7 1RB 071-581 3020

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Cap	5	105.1	108.1	114.9	+3.5	0.88
Income	5	86.56	87.93	93.11	-0.25	4.35
Resources & General	5	113.8	114.8	122.1	-0.1	2.64
Special Sits	5	32.23	33.45	35.58	+0.04	3.77
International	5	52.85	52.85	56.22	-0.15	3.07
Ecology	5	58.28	59.53xd	63.32	+0.21	1.90

National Provident Inv Mgrs Ltd (1400)F
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI American Acc ♥	5	74.46	74.46	79.20	+0.87	1.59
NPI American Dist ♥	5	70.56	70.56	75.05	+0.82	1.59
NPI European Acc	5	87.79	87.79	92.99	+0.32	0.17
NPI European Dist	5	86.44	86.44xd	91.56	+0.32	0.17
NPI Far East Acc	5	122.0	122.2	130.0	-0.38	0.46
NPI Far East Dist	5	121.5	121.6	129.4	-0.40	0.46
NPI O'seas Acc	5	959.0	959.3	1020.5	+2.90	1.33
NPI O'seas Dist	5	757.0	757.2	805.5	+2.30	1.33
NPI UK Acc	5	458.1	462.2	491.7	+2.70	4.11
NPI UK Dist	5	258.8	261.1xd	277.8	+1.50	4.11
NPI W'wide Acc	5	81.65	82.31	87.56	+0.16	0.33
NPI W'wide Dist	5	78.71	79.35xd	84.41	+0.15	0.33

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 071-407 4404

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Newton Income	6	138.3	141.3xd	150.3	+0.5	4.24
Newton Global	6	237.8	242.4xd	257.9	-0.2	1.41
Newton General	6	94.53	97.00	103.2	+0.8	4.57

Norwich Union Tst Managers (1200)H
PO Box 124, 51/59 Rose La, Norwich 0603 682234

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Master Trust	6	95.00	95.00	101.06	+0.39	2.27
UK Equity†	6	93.31	94.70	100.75	+0.37	3.92
UK Equity Income	6	92.61	94.17xd	100.18	-1.34	5.68
UK Smaller Co's	6	83.08	86.52	92.04	-0.12	2.63
UK Equity Growth	6	88.21	89.99	95.73	+0.33	3.28
UK Index Tracking ♦ F	6	95.35	96.11	102.25	-0.12	4.69
International	6	165.82	167.71xd	178.42	+0.58	0.97
European	6	153.96	155.84	165.79	+0.76	0.37
Nth American	6	114.88	115.94xd	123.34	+0.91	2.12
Nth Amer Smllr Cos	6	90.15	91.70	97.56	+0.76	0.37
Japanese	6	81.67	82.20	87.45	-0.07	0.00
Pacific	6	130.36	131.67	140.07	+0.07	1.40
South East Asian	6	104.96	106.75xd	113.56	+0.13	3.46
International Bond	6	94.66	94.66	100.68	+0.35	9.54
Gilt & Convertible	6	88.50	88.65	94.31	-0.06	11.22

PK English Trust (Isle Man) Ltd (1000)F
12 Carthusian St, London EC1M 6EB 071-796 1200

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American*	4	64.73	65.20	67.59	----	0.0
Far Eastern*	4	181.53	185.42	190.94	----	0.1
Growth†	4	173.79	175.68	185.26	+2.29	4.1
Income†	4	126.96	128.50	136.68	+1.82	6.1
Scandinavian†	4	80.22	82.22	87.71	+5.62	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

Pearl Unit Trusts Ltd (1000)H
PO Box 500, Thorpe Wood, Peterborough PE3 6AD
Dealing: 0800 626577 Enquiries: 0733 67767

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5	109.0	111.4xd	117.2	+0.6	3.62
(Accum Units)	5	179.1	183.0	192.6	+1.0	3.62
Income	6	168.2	171.5xd	182.4	+1.8	4.77
Equity	6	171.8	174.8	185.9	+1.5	3.35
(Accum Units)	6	324.1	329.8	350.8	+3.0	3.35
Intl Equity	6	177.3	179.4	190.8	+0.7	2.00
(Accum Units)	6	186.3	188.4	200.6	+0.7	2.00
UK Income	6	46.15	46.89	49.88	+0.47	4.83
UK Ind 25	6	46.92	47.53	50.56	+0.37	2.98

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♠ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq, London W1M 7HF 071-493 7262						
Dealing 071-493 8545						
American Opps	5	55.82	56.43	60.40	+0.28	0.19
(Accum Units)	5	57.45	58.28	62.15	+0.28	0.19
European Opps	5	78.49	78.65	83.88	-0.49	0.00
(Accum Units)	5	78.99	79.08	84.34	-0.50	0.00
Far Eastern Opps	5	133.34	133.70	142.61	+0.09	0.00
(Accum Units)	5	134.20	134.56	143.52	+0.09	0.00
Golden Opps	5	35.32	35.32	37.66	-0.70	0.00
(Accum Units)	5	36.33	36.33	38.74	-0.72	0.00
Intl Hi-Yield	5	59.91	59.97	63.96	-0.02	4.31
(Accum Units)	5	65.30	65.37	69.72	-0.03	4.31
Sanyo-Japan Tst	5	66.75	66.75xd	71.05	-0.19	0.00
(Accum Units)	5	66.75	66.75xd	71.05	-0.19	0.00
Kangaroo	5	29.77	29.77xd	31.74	-0.41	1.32
(Accum Units)	5	30.09	30.09xd	32.08	-0.25	1.32
Oriental Income	5	33.68	33.73	35.97	-0.05	4.86
(Accum Units)	5	38.43	38.49	41.04	-0.04	4.86
Tiger	5	147.04	147.04xd	156.83	-0.15	0.71
(Accum Units)	5	149.64	149.64xd	159.61	-0.15	0.71
UK Hi-Yield	5	40.79	40.79xd	43.50	-0.19	5.26
(Accum Units)	5	47.69	47.69xd	50.86	+0.10	5.26
UK Opps	5	51.10	51.21	54.90	-0.18	0.75
(Accum Units)	5	55.48	57.98	62.00	-0.19	0.75
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	92.88	93.46	99.43	+0.82	4.00
Timberlake Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
Portfolio	2	97.28	97.28	99.94	+0.83	1.18
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing—12 Noon Historic						
TR American Gwth	5¼	48.35	48.35	51.57	+0.14	0
TR Eur Sp Sits Acc	5¼	46.92	46.92	49.86	+0.12	0
TR Eur Sp Sits Inc	5¼	46.01	46.01	48.90	+0.12	0
TR Far East Opps Inc	5¼	23.29	23.50	25.00	-0.24	–
TR Far East Opps Acc	5¼	23.29	23.50	25.00	-0.24	–
TR General Growth	5¼	72.82	72.82	77.46	+0.26	2.64
TR Global Tech	5¼	75.97	75.97xd	81.03	+0.06	0
TR Income Growth	5¼	83.50	83.50	88.82	+0.46	4.51
TR Income Monthly	5¼	50.10	50.10	53.29	+0.17	7.62
TR Japan Growth	5¼	85.34	85.34	90.60	+0.26	0
TR Overseas Growth	5¼	67.73	67.73xd	72.16	-0.20	0
TR Smaller Cos	5¼	72.10	72.10	76.70	+0.24	2.51

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
NM Rothschild Asset Management Ltd				
NC Managed	56.9	60.6xd	+0.2	3.85
NC Property	191.9	209.7xd	—	–
J. Rothschild Fund Managers Ltd				
Intl Exempt	142.9	144.4	—	3.90
Stewart Ivory & Co Ltd				
Saints PPP Apr 2	248.4	261.5	—	0.80
Closed to new business				
Thornton Unit Managers Ltd				
[illegible] Exempt May 15	100.28	107.28xd	—	3.85
(Accum Units)	101.06	108.11xd	—	3.85
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1283	1298xd	—	1.39
TR Exempt Nth Amer	955	970xd	—	2.35
TR Exempt Pac Basin	879	892xd	—	0

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
(Investment Mngt M & G Inv Mngt Ltd)				
AA Friendly Sy Apr 12	–	168.1	—	–
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	299.7	315.5	+1.1	–
Equity Ser. 1	126.6	133.3	+1.1	–
Prop. Acc. Ser 2	461.8	486.2	–	–
Equity Ser 2	146.8	154.6	+1.4	–
Selective Acc	340.0	357.9	+1.6	–
Prop. Ser. 4	362.4	381.5	+0.1	–
Equity Ser. 4	151.2	159.2	+1.1	–
Man. Ser. 4	436.6	459.6	+1.6	–

[illegible]

Barclays Life Assur. Co Ltd

252 Romford Road, London E7

[illegible]

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	99.9	105.2	−0.4	–
Managed Growth	139.5	146.9	+3.2	–
Managed Opportunity	142.8	150.4	+1.9	–
NFMC Target Financial	95.80	100.9	+0.9	–
Pension Funds				
Managed Cautionary	105.4	111.0	−0.2	–
Managed Growth	143.5	151.1	+0.4	–
Managed Opportunity	143.4	151.0	+0.4	–
NFMC Target Mngd Pen	1513.7	1593.4	+7.7	–

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	219.9	231.5	+3.7	–
Managed Prospect Fund	184.4	194.2	+3.0	–
Pens Managed	286.9	302.0	+4.1	–
Pens UK Equity	333.2	350.8	+6.3	–
Pens Overseas Equity	405.2	426.6	+4.2	–
Pens Property	149.1	157.0	+2.3	–
Pens Fixed Interest	167.6	176.5	+2.9	–
Pens Index Linked	144.7	152.4	+0.6	–
Pens Deposit	195.9	206.3	+0.5	–
Harvester & P.R.P.				
UK Equity	145.7	153.4	+2.7	–
Overseas Equity	145.1	152.8	+1.5	–
Fixed Interest	114.6	120.7	+2.0	–
Property	124.1	130.7	+1.9	–
Index Linked	131.5	138.5	+0.5	–
Deposit	136.0	143.2	+0.3	–
Managed	144.6	152.3	+2.1	–
With Profits	138.5	145.9	+0.5	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	335.5	353.2	+1.1	–
UK Equity	420.3	442.5	+2.3	–
Overseas Eq	357.3	376.2	+1.0	–
Americas	272.0	286.4	+2.9	–
Far East	382.2	402.4	−0.8	–
Property	216.0	227.4	+0.2	–

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
UK Managed Initial	113.9		+0.2	–
Property Initial	167.5		–	–
Money Initial	80.4		–	–
Special Market Initial	133.0		+0.4	–
Japan Equity Initial	100.9		−0.4	–
North American Initial	84.2		+0.4	–
Pacific Initial	79.0		−0.3	–
Technology Initial	46.4		+0.2	–
Nat Resources Initial	54.9		–	–
European Initial	112.0		−0.5	–
Residential Prop Init	99.4		–	–
Swiss Equities Initial	40.1		−0.4	–
Hong Kong Initial	48.9		+0.1	–
UK High Inc Eq Init	64.9		+0.3	–
Int Fixed Interest Init	49.3		–	–
Int Managed Init	57.1		–	–
HIP Managed Init	111.9		−0.7	–
HIP Managed II Initial	96.7		–	–
Broker Funds				
High Performance	75.8	79.9	+0.1	–
Towerhill Mngd Fd Acc	52.3	55.1	+0.6	–
YRA Executive Fd	94.3	99.4	−0.1	–
£ Global Growth Acc	130.5	137.4	–	–
$ High Income Money Acc	111.4	117.3	–	–
IM Balanced	55.2		−0.3	–
H.F. Speculator Fd	153.4		−0.5	–
PEP Acorn II	121.5		+0.1	–
PEP Cautionary	80.4		–	–
AAFS Int Man Fund	118.7		–	–
Andrews-Green Inv Port	100.0		+0.1	–
Individual Pension Funds				
UK Equity Acc	218.1	230.1	+1.3	–
UK Fixed Interest Acc	175.8	185.5	+0.1	–
Intl Equities Acc	252.2	266.1	+0.2	–
UK Managed Acc	179.6	189.4	+0.3	–
Property Acc	211.5	223.2	–	–
Money Acc	140.1	147.8	+0.1	–
Special Market Acc	267.3	282.0	+1.1	–
Japan Equity Acc	205.5	216.8	−1.0	–
North American Acc	132.4	139.7	+0.8	–

Royal Heritage Life Assurance Ltd – Contd.

Skandia Life Assurance Co Ltd – Contd.

Sun Alliance Group – Contd.

UK Life Assurance Co Ltd – Contd.

Wesleyan Assurance Society
Colmore Circus, Birmingham, B4 6AR 021-200 3003

Windsor Life Assur Co Ltd

Towry Law & Co – Contd.

J. & D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

Capital House Fund Mgrs – Contd.

Gartmore Fund Managers International Ltd
PO Box 278, 45 La Motte St., Jersey 0534 27535

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JERSEY (**)

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CANADA (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Lira hits French franc limit

THE FRENCH franc and Italian lira suffered problems of different kinds at opposite ends of the European Monetary System yesterday. The franc was the weakest EMS currency, while the highest placed lira touched its upper cross rate limit in terms of the French unit.

There was no sign of action by the Bank of France, but the Bank of Italy intervened for the third day running to prevent the lira breaching its EMS ceiling. In Milan the Italian central bank bought FFr400m French francs against the lira, as the franc was fixed at its lowest permitted level of L218.13. The Bank of Italy also bought DM107 and Ecu46m to stem the lira's advance. At the London close the franc was slightly above the day's low at L218.20.

Political nervousness, after the French Government was forced to survive a censure motion last week, and recent cuts in Paris interest rates have tended to undermine the franc. On the other hand, there was no obvious reaction yesterday to figures on French inflation, which had already been forecast by Mr Pierre Beregovoy, French Finance Minister. The April consumer price index rose 0.4 per cent, compared with 0.3 per cent in March, but year-on-year inflation fell to 3.2 from 3.4 per cent.

The lira was supported by high Italian interest rates and expectations that the economy will benefit from the influx of tourists next month, as Italy hosts the World Cup football series. Dealers suggested that realignment of the EMS in January makes another change in parities unlikely in the near future, and this has worked in favour of high yielding currencies such as the lira and Spanish peseta, despite any misgivings about economic fundamentals.

The D-Mark gained ground against a generally weak dollar, but showed small mixed changes against its EMS partners at the London close, rising to L735.40 from L734.60 against the lira, but easing to FFr3.3705 from FFr3.3755 in terms of the French franc.

A rise of 0.2 per cent in April US consumer prices led to a reduction to 4.7 per cent from 5.2 per cent in the year-on-year inflation rate, but this was close to expectations and had no strong impact on the dollar.

In London the dollar fell to DM1.6430 from DM1.6465; to Y151.35 from Y151.40; and to FFr5.5375 from FFr5.5575, but rose to SFr1.3990 from SFr1.3980. The dollar's index was unchanged at 66.9.

Sterling rallied, after losing ground overnight and earlier today in the Far East. Dealers said a large buying order for the pound, probably from the Middle East, led to a round of short covering. Sterling rose 15 points to $1.6790, recovering from the Tokyo close of $1.6685. The pound also climbed to SFr2.3500 from SFr2.3450, but was unchanged at Y254.00, while falling to DM2.7575 from DM2.7625 and to FFr9.2975 from FFr9.3225. Sterling's index fell 0.1 to 87.4.

EURO-CURRENCY INTEREST RATES

May 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14⅞-14¾	15-14⅞	15⅛-15⅛	15⅜-15¼	15⅞-15⅜
US Dollar	8¼-8⅛	8⅜-8¼	8⅜-8¼	8⅞-8¼	8⅞-8¾	8⅞-8⅞
Can. Dollar	13¼-13⅛	13⅞-13⅛	13¼-13⅛	13¼-13⅛	13⅛-13⅛	13¼-13
D. Guilder	8¼-8⅛	8⅛-8	8⅜-8¼	8⅛-8⅜	8⅜-8⅜	8⅞-8⅞
Sw. Franc	8⅛-8⅞	8⅛-8⅛	8⅞-8⅜	8⅞-8⅛	8⅞-8⅜	8⅞-8⅞
Deutschmark	8-7⅞	8-7⅞	8⅛-7⅞	8⅜-8⅛	8⅛-8⅛	9-8⅞
Fr. Franc	9¼-9⅛	9⅞-9⅞	9⅛-9⅛	9⅞-9⅞	10-9⅞	10⅛-10⅛
Italian Lira	13-11	14⅛-13⅛	13-12⅛	12⅞-12⅛	12⅛-12⅛	12⅞-12⅛
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

May 16	Latest	Previous Close
£ Spot	1.6605-1.6615	1.6730-1.6740
1 month	0.90-0.89pm	0.97-0.95pm
3 months	2.61-2.58pm	2.76-2.73pm
12 months	9.10-9.00pm	9.51-9.46pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 16	Previous
8.30 am	87.1	87.4
9.00 am	87.1	87.4
10.00 am	87.4	87.4
11.00 am	87.4	87.4
Noon	87.4	87.4
1.00 pm	87.4	87.6
2.00 pm	87.5	87.7
3.00 pm	87.5	87.7
4.00 pm	87.4	87.5

CURRENCY RATES

[illegible]

† European Commission Calculations. * All SDR rates are for May 15

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for May 15.

OTHER CURRENCIES

May 16	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	0.48460-0.48520	0.29080-0.29100
Luxembourg	57.05-57.15	33.95-34.05
Malaysia	4.5320-4.5415	2.6970-2.6990
Mexico	4739.55-4744.05	2822.00-2823.00
N. Zealand	2.9225-2.9270	1.7405-1.7435
Saudi Ar.	6.2495-6.2550	3.7500-3.7510
Singapore	3.1105-3.1175	1.8520-1.8540
S. Af (Cm)	4.4295-4.4405	2.6360-2.6375
S. Af (Fn)	6.5900-6.7220	3.9215-4.0000
Taiwan	45.85-45.95	27.30-27.35
U.A.E.	6.1185-6.1255	3.6720-3.6730

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible] 12 month [illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

† UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	[illegible]	[illegible]	[illegible]	±1.5308
Danish Krone	7.79845	[illegible]	[illegible]	[illegible]	±1.6400
German D-Mark	2.04446	[illegible]	[illegible]	[illegible]	±1.1762
French Franc	6.85684	[illegible]	[illegible]	[illegible]	±1.3818
Dutch Guilder	2.30358	[illegible]	[illegible]	[illegible]	±1.5272
Irish Punt	0.763159	[illegible]	[illegible]	[illegible]	±1.6669
Italian Lira	1529.70	1504.72	-1.63	-1.51	±4.1562
Spanish Peseta	132.889	128.085	-3.62	-3.62	±4.2785

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

May 16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.076	1.806	2.966	273.2	10.	2.52	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.426	0.714	1.174	108.1	3.957	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.323	0.542	0.890	81.94	2.999	0.75	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.493	0.828	1.359	125.2	4.583	1.15	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.507	0.851	1.397	128.7	4.710	1.19	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.751	2.940	4.830	444.8	16.28	4.11	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE EURODMARK OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

US TREASURY BONDS 8%

6% NOTIONAL GERMAN GOVT. BOND

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

THREE MONTH STERLING

THREE MONTH EURODOLLAR

THREE MONTH ECU

FT-SE 100 INDEX

POUND-$ (FOREIGN EXCHANGE)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

U.S. TREASURY BILLS (IMM)

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

THREE-MONTH EURODOLLAR (IMM)

STANDARD & POORS 500 INDEX

SWISS FRANC (IMM)

PHILADELPHIA SE £/$ OPTIONS

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

OPTION ON LONG-TERM FRENCH BOND (MATIF)

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
June	90.12	90.11	-0.02	90.12	90.07	9.90	14,302
September	90.11	90.08	-0.03	90.11	90.06	9.93	8,862
December	90.08	90.05	-0.03	90.08	90.05	9.96	2,539
March	-	-	-	-	-	9.98	174

Estimated volume 7,202 Total Open interest 25,877

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open int.
May	2080.0	2080.0	-1.0	2096.0	2066.0	4,262
June	2084.0	2085.0	-	2098.0	2073.0	899
July	2084.0	2084.0	-1.0	2084.0	2084.0	1
September	-	-	-	-	-	10

Estimated volume 4,762 Total Open interest 5,172

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	UNIbank Plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Little change

There was little change in Frankfurt interest rates yesterday, with one-month money steady at 8.10 per cent and three-month at 8.25 per cent. Call money was also unmoved at 7.90 per cent, in spite of the DM3.1bn in extra liquidity provided at this week's securities repurchase agreement tender.

The Bundesbank accepted bids totalling DM22.7bn at a two-tranche tender, as two earlier pacts totalling DM19.6bn expired. Funds were provided via a 35-day agreement at rates of 7.80-8.10 per cent and through a 63-day facility at 7.90-8.15 per cent.

UK clearing bank base lending rate 15 per cent from October 5

Dealers said the extra liquidity would help banks through a period when tax payments are providing a drain on the banking system, but the additional money was less than the market had been looking for, indicating the Bundesbank's intention to keep monetary conditions tight.

This is not expected to produce an early increase in official interest rates however. The Bundesbank council meets tomorrow but is likely to leave its credit policies unchanged, according to dealers.

In London a weakening of sterling increased nervousness, leading to a slight firming of interest rates. Three-month interbank rose to 15⅛-15¼ per cent from 15$\frac{1}{32}$-15⅛ and one-year money was quoted at 15$\frac{11}{16}$-15$\frac{11}{16}$ per cent against 15⅝-15$\frac{9}{16}$.

Short sterling futures held within a narrow range in fairly quiet trading on Liffe. September delivery opened weaker at 85.03, and closed at 85.04 compared with 85.07 previously.

Credit conditions were comfortable in London and the Bank of England did not operate on the money market. The authorities initially forecast a small day-to-day shortage of £100m, but revised this to £150m at noon, and back to £100m in the afternoon.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £356m, with a rise in the note circulation absorbing £115m. These outweighed Exchequer transactions adding £200m to liquidity and bank balances above target of £155m.

In Brussels the Belgian National Bank kept its money market intervention rates unchanged when injecting funds via an auction of 14-day securities repurchase agreements at 9¾ per cent, and on 14-day loans against Government paper at 10 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 16) 3 months US dollars: bid 8⅛ offer 8⅛ — 6 months US Dollars: bid 8⅛ offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime — Treasury Bills and Bonds

Prime rate	10	Three year	8.60
Broker loan rate	9½	Four year	8.64
Fed.funds	[illegible]	Five year	8.65
Fed.funds at intervention	[illegible]	Seven year	8.71
		10-year	8.69
		30-year	8.65

May 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.50
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

May 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent. Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent. Treasury Bills: Average tender rate of discount [illegible] p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1990. Agreed rates for period May 26 to June 25, 1990, Scheme I: [illegible] p.c. Reference rate for period March 31, 1990 to April 30, 1990, Scheme IV&V: [illegible] p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from May 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months [illegible] per cent; three-six months [illegible] per cent; six-nine months [illegible] per cent; nine-twelve months [illegible] per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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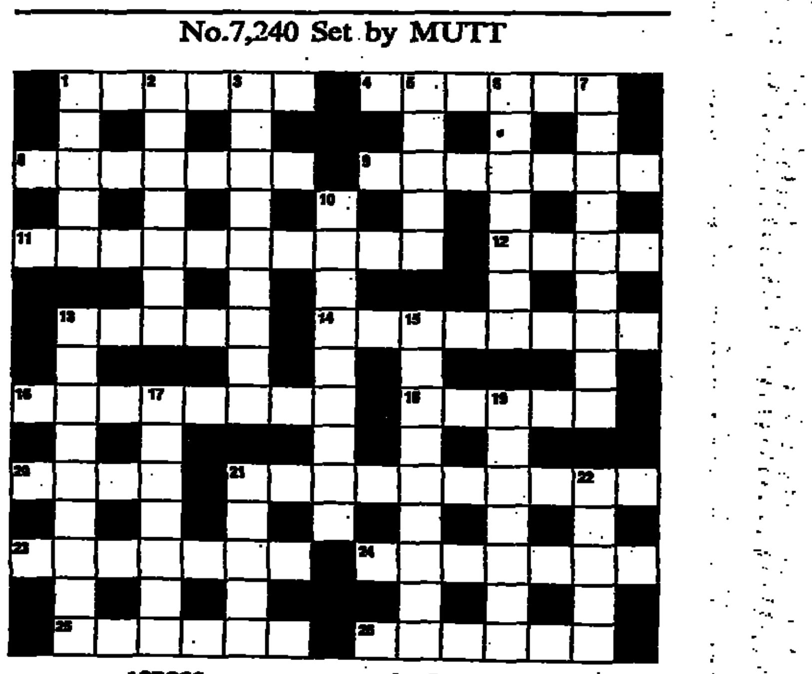


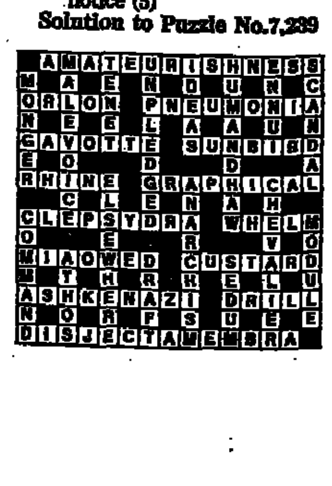
ACROSS

1 Sweet deceptive talk? (6)
4 Good cat doctor and handler (6)
8 Heater dial on outside of tea dispenser (7)
9 English officer in Dynasty: that's getting soft (7)
11 Doesn't qualify for a recommendation (4-6)
12 The cause of world revolution, so they say (4)
13 Girl has something the matter with back (5)
14 Man trapped in hole in river – hurry up! (8)
16 Point 5(1) stupid as spoken testimony (8)
18 Customarily an un-6 person? (5)
20 Learner intercepts pawn – sounds like a drip (4)
21 So I'm stingy – makes a change from being a woman-hater (10)
23 Wild rose and German echo (7)
24 Heard the Englander'll be apt to break (7)
25 Nectar inducing a soporific state (6)
26 Mark short, embarrassed and badly shaken (6)

DOWN

1 Hard to get river accommodation (5)
2 Thought loud upper-class student would become attentive (7)
3 Hesitant dimwit losing his head over opening time gets caught in shower (9)
4 Fat part of lobe severed (5)
6 Came to an agreement and paid up (7)
7 Freshened up with a pipe: contents untaxed? (9)
10 Victor always goes to South America the other way round (4,5)
13 Provision made for idle hands? (9)
15 Turning grey with fright about delivering public laudation (9)
17 Princess has endless aplomb, remarkable to a degree (7)
19 Met Ron's intended – an overwhelming creature! (7)
21 Crazy to put him in charge (5)
22 Greens have given the girl notice (5)

Solution to Puzzle No.7,239



WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

CANADA

TORONTO
Closing prices May 16

[illegible]

Total Sales 4,057,046 shares.

MONTREAL
Closing prices May 16

[illegible]

INDICES

NEW YORK

DOW JONES	May 16	May 15	May 14	May 11	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2819.68	2822.45	2821.53	2801.58	2822.45 (15/5)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.09	89.91	89.74	89.44	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1174.08	1177.10	1180.65	1177.45	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.05	217.24	217.12	216.99	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2841.44 (2848.74) Low 2800.23 (2798.15)

STANDARD AND POOR'S

	May 16	May 15	May 14	May 11	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	(u)	354.28	354.75	352.00	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	(u)	411.86	412.62	409.45	412.62 (14/5)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	(u)	29.28	29.05	28.70	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	(u)	193.31	193.65	192.24	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	(u)	353.56	354.94	352.50	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	(u)	442.50	441.61	438.10	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 11	May 4	Apr 27	year ago (approx.)
Dow Industrial Div. Yield	3.93	4.05	4.15	3.43

	May 9	May 2	Apr 25	year ago (approx.)
S & P Industrial div. yield	3.07	3.13	3.13	3.17
S & P Indl. P/E ratio	15.20	14.85	14.72	12.82

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Alcan Aluminium	9,185,700	21¼	- ⅛
Circle K	3,091,100	1⅞	- ⅜
US West	2,374,900	36⅜	---
Texas Utilities	2,193,900	36⅝	+ ⅛
K Mart	2,143,500	33⅞	- ⅛
Hewlett Pkd	1,868,100	46⅛	- 1⅞
Advanced Micro	1,861,100	10	- ⅛
IBM	1,761,500	115⅞	- ⅞
Philip Morris	1,581,500	44½	- ⅜
Am T & T	1,538,700	42	+ ⅛

TRADING ACTIVITY

† Volume Millions	May 16	May 15	May 14
New York	161.886	165.730	225.430
Amex	10.590	13.116	14.026
NASDAQ	(u)	162.334	177.170
Issues Traded	2,015	2,002	2,045
Rises	703	641	1,061
Falls	792	847	529
Unchanged	520	514	455
New Highs	35	35	120
New Lows	45	46	34

CANADA

TORONTO	May 16	May 15	May 14	May 11	1990 HIGH	1990 LOW
Metals & Minerals	3058.60	3075.40	3122.00	3138.00	3453.05 (4/1)	2850.80 (23/4)
Composite	3486.80	3505.40	3526.60	3535.00	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1797.94	1807.36	1821.48	1832.08	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 16	May 15	May 14	May 11	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1493.8	1507.8	1517.2	1494.6	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	740.8	752.4	761.1	743.3	860.8 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	605.79	608.45	608.36	606.22	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6168.44	6166.28	6121.81	6088.91	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	364.26	362.09	361.68	(c)	380.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	565.8	566.0	562.8	562.2	677.3 (23/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	548.15	552.17	554.18	554.63	557.68 (7/5)	482.94 (26/2)
CAC 40 (31/12/87)	2070.78	2070.67	2090.14	2091.85	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	784.64	781.39	786.79	797.30	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2274.4	2264.5	2279.0	2311.7	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1841.77	1851.25	1860.33	1875.83	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2948.89	2965.09	2976.44	2960.46	3067.67 (19/4)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1636.31	1619.83	1617.38	1608.94	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	713.00	709.76	703.92	700.99	713.06 (17/4)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	31967.62	31997.06	32042.65	31512.14	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2403.77	2398.78	2398.32	2348.97	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3855.38	3848.78	3845.46	3819.82	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	557.82	559.74	562.83	555.26	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Tti.Rtn.Gen.(End 1983)	260.6	259.6	259.4	254.8	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	196.8	196.1	196.0	192.5	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (2/1/83)	844.68	847.57	853.21	847.25	853.21 (14/5)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	974.92	974.80	977.08	976.41	1160.70 (21/3)	936.57 (30/4)
SINGAPORE						
SES All-Singapore (2/4/75)	422.39	424.66	426.24	423.64	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1681.06	1677.0	1736.0	1732.0	2230.0 (16/1)	1677.0 (15/5)
JSE Industrial (28/9/78)	2930.06	2935.8	2941.0	2929.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	756.87	724.76	734.42	762.27	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	286.34	(c)	285.69	282.21	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1212.20	1228.50	1224.80	1213.60	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	777.5	(c)	777.9	782.1	787.2 (11/1)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	8659.14	8569.55	8275.02	8417.08	12495.34 (10/2)	8059.14 (16/5)
THAILAND						
Bangkok SET (30/4/75)	894.03	899.80	887.78	877.71	918.67 (5/1)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	517.8	515.9	518.6	571.0 (4/1)	468.3 (2/4)

**Saturday May 12: Taiwan Weighted Price: 8361.18 Korea Comp Ex. 749.08
‡ Subject to official recalculation.
April Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday May 16 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Isuzu Motors	26.9m	1,168	+50	Sumitomo Mt Mg	12.9m	1,600	0
Sanyo Electric	26.8m	940	+38	Nippon Steel	11.5m	620	-9
Nissho Iwai	24.7m	950	+28	Nisshin Steel	11.3m	975	+10
Nippon Mining	24.1m	1,080	-20	Ibiden	8.7m	1,460	+70
Hazama-Gumi	14.0m	1,430	+50	OJI Paper	7.2m	1,330	+70

4pm prices May 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	20¼	AAR	.48	2.2	13	767	22¼	22	22	– ¼
9⅛	8	ACM n	1.01	12.		384	8⅝	8½	8⅝	+ ⅛
11⅝	8⅞	ACMIn	1.26	13.		1373	9⅝	d 9½	9½	– ⅛
9⅞	7¼	ACM M	n1.01	13.		438	8	7⅞	7⅞	– ⅛
12⅛	10½	ACMMM				322	11	10½	10⅝	– ⅛
11½	9⅜	ACM Sc	1.26	13.		1304	9¼	9⅝	9⅜	
9⅜	8¼	ACMSp	1.01	12.		329	8½	8⅜	8⅜	
22⅞	14⅜	AL Lab	.16	.7	19	133	21⅞	21½	21⅝	
6½	2⅛	AM Intl			8	710	2⅝	2⅝	2½	
23⅛	10½	AM In pf	2	18.		139	10⅞	10½	10⅞	+ ⅛
107¼	52½	AMR			13	7289	66⅞	66⅛	66¼	+ ¼
27	25	ANR pf	2.67	11.		4	25½	25⅛	25⅛	– ⅛
24⅞	22¼	ANR pf	2.12	9.3		2	22¾	22¾	22¾	
4⅝	3	ARX				14	3½	3⅜	3½	– ⅛
72¼	39	ASA	3a	6.2		297	48¼	48¼	48¼	– ⅜
71⅜	55¼	AbtLab	1.68	2.4	18	4558	71⅛	70⅜	70⅞	– ⅜
36⅛	27⅝	AbtLb wi				52	35⅞	35⅝	35⅞	– ⅛
13	8⅞	AcmeC	.40	4.3	11	28	9½	9⅜	9⅜	– ⅛
9⅝	7⅝	AcmeE	.32	3.6	11	74	9	9	9	
40	28⅛	Acuson			23	511	38⅛	37⅞	38⅛	– ⅛
16½	13⅝	AdaEx	2.06e	13.		67	16⅛	16	16	– ¼
15⅜	8⅞	Adobe				48	12½	12⅛	12⅛	+ ⅛
20¼	17¾	Adob pf	1.84	9.7		10	19	19	19	
21⅞	20⅛	Adob pf	2.40	12.		47	20⅝	20½	20½	
10½	6⅜	AMD			21	18621	u10⅛	9⅞	10	– ⅛
35	28⅜	AMD pf	3	9.8		208	30½	30⅛	30½	+ ¼
10⅛	4⅛	Advest	.16	3.4	59	61	4⅜	4⅜	4⅜	+ ⅛
62½	45¼	AetnLf	2.76	5.4	9	863	51⅞	51¼	51½	
14	9⅛	AflPb	.24	2.5		1198	9⅞	9⅝	9⅝	
25	16⅛	Ahmans	.88	4.5	9	2033	19⅝	18⅝	19½	+ ½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
9½	7⅞	PIGIT	.96	11.		3960	8⅝	8⅜	8½	+ ⅛
12⅛	10⅝	PIGM n	.86	7.9		255	10⅞	10⅝	10⅞	+ ¼
10⅛	8⅞	PMM	.75a	8.3		542	9	8⅞	9	+ ⅛
8⅛	6⅝	PMIT	.87	12.		1530	7	6⅞	7	+ ⅛
8⅝	6⅞	PMIT	.93	13.		1547	7¼	7⅛	7¼	
9¾	6⅝	PPrIT	.93	13.		4824	7	6⅞	7	
15¾	7½	QMS			14	629	15¾	15⅝	15¾	+ ⅛
13-16	5-32	Qantel				663	13-64	11-64	11-64	− 1-32
65⅞	45⅛	QuakrO	1.40	2.8	20	2860	50½	49⅝	50½	+ ⅛
19	11¼	QuakSC	.80	6.7	23	536	12⅛	11⅞	12	
18½	11½	Quanex	.40	2.6	8	252	15⅞	15¼	15¼	− ⅛
31	22⅝	Quanx pf2.25		8.7		3	26¼	26¼	26¼	− ¼
48½	18¾	Quantum	.44t	2.0	5	545	22½	22	22	− ½
13½	11	QstVI	1.20e	9.1		135	13⅜	13⅛	13¼	+ ⅛
14⅝	10⅞	QstVC				276	13⅞	13⅝	13⅞	+ ⅛
39¾	32⅞	Questar	1.92	5.5	14	76	34⅞	34½	34⅝	− ⅛
18¼	11⅞	QkReily	.28a	2.0	12	19	14⅛	13⅞	14	− ⅛
		− R − R − R −								
11⅞	9⅞	RAC In	1.20a	11.		164	10½	10⅜	10½	+ ⅛
8⅝	1⅞	RAC	.48a	9.9	10	641	4⅞	4⅝	4⅝	− ⅛
12⅞	6⅞	RLI Cp	.40	3.6	6	34	11⅛	11⅛	11⅛	− ⅛
13	10⅛	RMS Ti n	.05e	.3		60	11½	11¼	11½	
19¼	9⅞	ROC Fd	.98e	9.8		395	10⅛	9⅞	10	− ⅛
8¼	6¼	RPC			19	100	8¼	8⅛	8⅛	
8½	5⅛	RPS	.52e	14.	7	151	5⅞	5⅜	5⅜	

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19¾	15⅛	WrldVl	1.88e	12.		46	16⅛	15⅞	16⅛	+ ⅛
57½	38¾	Wrigley	.86	1.5	20	280	57⅜	57	57⅛	− ⅛
12⅝	7¾	WyleLb	.28	2.4	16	13	11⅝	11⅝	11⅝	+ ⅛
27¾	18	Wynns	.60	3.0	13	x9	19⅞	19⅞	19⅞	− ⅛
		− X − Y − Z −								
68½	45	Xerox	3	6.0	8	1954	49⅞	49⅛	49⅞	
36⅝	21¼	XTRA	.48	2.2		141	22⅛	21⅞	22	+ ⅛
29	18¾	XTRA pf1.94		10.		11	19¼	18⅞	19¼	+ ⅛
4⅛	2⅛	Zapata				1646	2⅛	2⅛	2⅛	− ⅛
21⅛	7⅞	ZenithE				405	9½	9⅜	9½	− ⅛
21½	13½	ZeniNl	.84	5.4	9	22	15⅝	15⅝	15⅝	
8⅝	5⅝	Zenix	.90	16.		165	6	5⅞	5⅞	
18½	12⅞	Zero s	.40	2.8	18	201	14⅞	14	14⅛	+ ⅛
45⅞	28	Zurnin	.76	1.6	21	681	46⅛	45⅞	46½	+ ½
12⅝	10⅝	Zweig	1.21e	11.		303	11⅝	11½	11½	− ⅛
10	8⅞	ZweigTl	.96	10.		1202	9⅛	9⅛	9⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices May 16

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pittwy A	.70	12	54	28	28	28	
PlyGem	.12	16	164	8⅞	8½	8¾	+ ⅛
Presd A	.10		40	6	6	6	− ⅛
ProCm s			50	3⅞	3⅞	3⅞	
Prism		9	59	3	2⅞	3	
ProMed	.42	9	15	5	5	5	
ProlCre		15	17	5	4⅞	5	
		− R − R −					

[illegible]

NASDAQ NATIONAL MARKET

3pm prices May 16

[illegible]

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
		− X − Y − Z −					
XL Dta		8	1175	10¼	9⅝	10	+ ⅛
XOMA			1452	22½	21¼	21⅞	− ⅛
Xicor			270	2⅜	2 3-16	2 3-16	− 3-16
YanEnS	1.14e	11	15	19	18½	19	
YelowF	.76	52	1149	29¼	29	29¼	
YorkRs		22	1931	14⅝	14	14½	+ ⅛
ZionUt	1.44	9	42	28⅞	28⅛	28⅞	

FINANCIAL TIMES

Thursday May 17 1990

AMERICA

Futures-related buying prompts late recovery

Wall Street

A LATE round of futures-related programme buying helped the stock market to recover from earlier weakness, although the Dow Jones Industrial Average closed slightly below its Tuesday high, thanks to profit-taking and weakness in bonds, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed down 2.77 points at 2,819.68. On Tuesday, the Dow added 0.92 points to close at a record 2,822.45. On the New York Stock Exchange yesterday, 161.9mm shares changed hands.

On the big board, declining issues had a slight edge on those advancing, by 789 to 705.

The decline in equities was reflected in broader market indices. The Standard & Poor's 500 closed down 0.28 points at 354.00 and the New York Stock Exchange Composite lost 0.17 points to 193.14.

Prices for both stocks and bonds initially moved modestly higher on news that April's consumer price index had increased only 0.2 per cent. But when government issues gave up their gains, the stock market followed the bond market lower. In late trading, the Treasury's benchmark 30-year bond lost ¼ point to yield 8.64 per cent.

Among featured stocks, American Express retraced its $1⅛ gain on Tuesday by falling $1¼ to $29¼. The company has denied rumours that it was discussing the sale of its Shearson Lehman Hutton brokerage unit to Primerica.

Circle K plunged $¾ to $1¼ in active trading after the company filed for bankruptcy protection late Tuesday. The New York Stock Exchange said it was reviewing the eligibility of the stock and debentures for continued listing.

K-Mart, one of the biggest US general retailers, fell $⅛ to $33⅞ in active trading.

Monsanto dropped $3 to $101¼ after losing $4⅛ a day earlier. Sales of the company's main agricultural chemicals were weak in April and Goldman Sachs has downgraded the stock.

Manville fell $⅛ to $6⅛. The company's trust, which was set up to pay the claims of asbestos victims, has been ordered to account for a big shortfall in funds. Sotheby's Holdings gained $1⅞ to $18⅞ after an auction of impressionist and post-impressionist works at Christies, where a painting by Vincent Van Gogh sold for a record $82.5m.

American International Group added $⅞ to $95⅞. The company's board yesterday declared a stock split in the form of a 25 per cent common stock dividend, and set a quarterly dividend rate of 11 cents a share on new shares.

Perkin-Elmer rose $⅞ to $22 after the company said it had sold its lithography business.

Measures of secondary issues recoverd in the afternoon. The NASDAQ Composite index added 0.43 points in late trading to 442.98 after losing more than 1 point earlier in the day. Intel, which rose $¼ to $44⅞, was one of the most active issue of the day in over-the-counter trading.

Canada

SHARE PRICES in Toronto closed lower in quiet trading, dragged down mainly by weakness in media stocks.

Toronto's Composite Index ended 18.58 points down at 3486.76. Declining shares outnumbered advances by 306 to 254. Turnover amounted to 20.2m shares, inflated by two block trades totalling 2m shares in Horsham Corp. The previous day's volume was 19.7m shares. Trading value eased to C$229.4m.

SOUTH AFRICA

JOHANNESBURG recovered from Tuesday's fall, pulled higher by De Beers and Anglos. Gold shares ended mixed. The JSE overall share index rose 37 to 3,210. De Beers rose R5.50 to R99 while Anglos added R5 to R133.50.

EUROPE

Individual stocks and stories dominate senior bourses

SENIOR bourses concentrated individual stocks and sectors yesterday, with rumours dominating Paris and Zurich, and selectivity in Frankfurt, *writes Our Markets Staff.*

FRANKFURT fell for its seventh consecutive session, after a progress report from Deutsche Bank gave it a stronger start to the day. The DAX index closed 9.48 lower at 1841.77, a drop of 4.8 per cent since its last rally ended on May 7, after a 3.05 rise to 784.64 in the FAZ at midsession.

Deutsche, West Germany's largest commercial bank, rose DM5.50 to DM797.50 after a day's high of DM804 on a 24 per per cent jump in first quarter group operating profits. Commerzbank climbed DM1 to DM296 and Dresdner was steady at DM430, anticipating their own, fairly imminent progress reports.

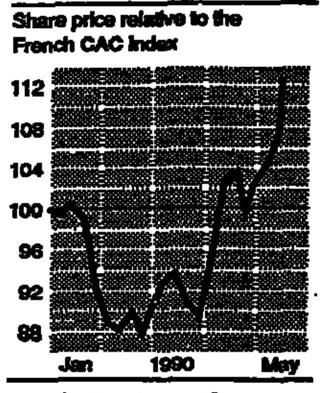
The big three construction companies were not so lucky. Philip Holzmann, No 1 in West German construction output, fell DM95 to DM1,420, down 10 per cent since last Friday's close; Hochtief, No 2, fell DM42 to DM1,310 on disappointment with a merely maintained dividend for 1989, said Mr Michael Geiger, an analyst with County NatWest; and Bilfinger & Berger, No 3, shed DM12 to DM868.

Volume stayed reasonably active at DM8.6bn, up from DM8.3bn. Among the most active stocks, Deutsche Bank stayed well ahead of the field in turnover of DM1.5bn.

Other corporate news was disappointing, unexciting, or after hours. In the first category, the tyre maker Continental fell DM3.80 to DM288; it said that a 16.9 per cent rise in 1989 net profit was due to a change in its accounting procedures.

Veba was the unexciting one, down DM2.50 ato DM420 on a 5 per cent rise in first quarter profits.

PARIS was dominated once again by Lafarge, the world's second-largest cement producer, on rumours of stakebuilding by Hanson Trust. Neither company would comment on the rumours. But sources close to the French company said it was worried by the unusually large trading volume in its shares. Over 1 per cent of its share capital was traded on both Monday and Tuesday. Lafarge is one of the few French companies that have a relatively loose shareholding structure, with no shareholder owning more than 5 per cent of the company. The stock came off highs of FFr477 to close FFr4.10 higher at FFr468.10.



Among other featured stocks, Eurodisney topped the actives list with 867,000 shares changing hands. The stock was FFr2.70 firmer at FFr107.40. Total, the oil refiner, saw higher-than-normal volume of 152,250 shares and closed FFr16 higher at FFr711 amid some speculation that the company was preparing to announce a rights issue. Volume was estimated at above FFr3bn while the CAC 40 ended flat, up 0.03 at 2,070.70.

ZURICH heard stories that Zurich Insurance would open its registered shares to foreigners, and bearer shares in the sector came under heavy selling pressure, to recover on bargain hunting and block purchases by institutional investors late in the session.

The Crédit Suisse index finished only 1.7 higher at 618.4 after looking, early in the day, as if it would swing back into the ebullient form of last week's rally. Zurich Insurance did not make the rumoured announcement; instead it reported an 8.6 per cent rise in 1989 net profit after the market closed. Its bearers fell SFr230 on the day, to SFr4,370.

AMSTERDAM ended firmer on growing hopes that the Dutch central bank would soon lower the discount rate. The CBS Tendency index rose 0.4 to 118.3 on turnover of around Fl 700m. Buying interest concentrated on second-line quality stocks as well as companies seen as likely beneficiaries of German unification. Among the multinational stocks, Philips rose 20 cents to Fl 33.70.

MILAN was led higher by banking and telecommunications stocks as the May trading account ended. The Comit index rose 3.24 to 713.00. Mediobanca continued to be in demand, rising L350 to L21,950 while Stet added L145 to L6,210. Generali also firmed, closing L199 higher at L40,999 and reaching L41,150 after hours. But Fiat fell L21 to L10,259, and continued under pressure in the after market.

STOCKHOLM continued to pause after its rally, and profit-taking in a few blue chips left the Affärsvärlden general index 8.3 lower at 1212.2 in turnover of SKr291m.

First-quarter earnings reports from Volvo and Electrolux, due today, may give the market a new sense of direction; yesterday they closed down SKr5 at SKr315, and SKr9 at SKr250 respectively. Astra, the pharmaceutical company, had fallen SKr10 to SKr465 before an after-hours presentation of first-quarter profits 25 per cent higher at SKr522m.

MADRID closed the continuous session with slight gains in a belated reaction, after Tuesday's bank holiday, to Monday's announcement of good Spanish inflation figures for April. The general index rose 0.64 to 286.34, an improvement of 0.03 point on the close of pit trade. Building stocks continued to spearhead the gains, with Dragados rising Pta70 to Pta3,280 and Asland up Pta150 at Pta6,200.

BRUSSELS was flat, the cash market index moving up by only 2.24 to 6,168.44. But it was enlivened by trading in the chemicals company, UCB, which gained BFr700 to BFr20,975, in the absence of any news to explain its 3.3 per cent gain.

ASIA PACIFIC

Nikkei minimises losses in face of arbitrage selling

Tokyo

THE MARKET was hit by arbitrage selling yesterday, but strong interest in special situations helped shares hold steady and the Nikkei index suffered only a slight loss, *writes Michiyo Nakamoto in Tokyo.*

Share prices came under heavy selling pressure from the start as brokers unwound arbitrage positions ahead of the closing of the June futures contract. The Nikkei average opened on a weak tone, but was later lifted by selective hunting for laggards and incentive-backed issues.

After recovering the 32,000 mark in intraday trading, the Nikkei finished with a drop of 29.42 at 31,967.62. The day's high was at 32,083.12 and the low was at 31,905.63. Gainers outnumbered losers by 512 to 438 and 185 issues were unchanged. Turnover fell to 750m shares from 900m on Wednesday, the highest level seen this year. The Topix index of all listed stocks rose 4.99 to 2,403.77 and in London, the ISE/Nikkei 50 index added 2.60 to 1,784.12.

Concern about the speed of the market's recent rise continued to dampen buying interest. None the less, the consensus was that the market had held up rather well in the face of persistent arbitrage selling, which was partly countered by index-linked purchases by dealers and investment trusts.

Meanwhile, there was a good deal of interest in special situations, and that gave the market underlying support. In particular, reports that the Long Term Credit Bank of Japan (LTCB) would split up its Y500 shares into 10 shares with 50-yen par value provoked speculation that other companies with high share prices would follow suit.

The stock exchange suspended trading in LTCB to allow investors to catch up with the news. LTCB closed on Tuesday up Y2,000 at Y21,500. Other candidates for a share split included Nippon Telegraph and Telephone (NTT) which was actively pursued, closing Y60,000 higher at Y1.24m, and Tokyo Electric Power which gained Y240 to a high for the year of Y4,870.

Nissho Iwai, the trading company, was actively pursued on rumours that the company has found a gold vein in northern Japan. After rising to a high of Y990, up Y68 at one stage, it finished with a gain of Y28 at Y950.

Sumitomo Forestry rose Y180 to Y2,200. It has attracted buying on reports that it has developed a fertiliser for use on golf courses instead of harmful insecticides.

The market in Osaka continued to rise. The OSE average gained 111.08 to 34,777.46 although volume slipped to 76.2m shares from 79.4m on Tuesday.

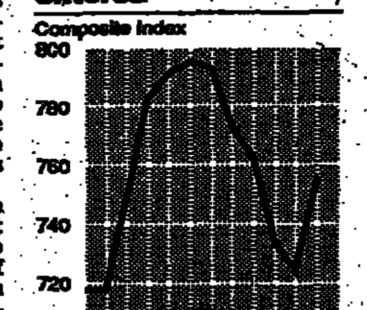
Roundup

PACIFIC RIM markets were mostly lower, except in South Korea where the financial community pledged to take steps to stabilise the market.

SEOUL rebounded after six days of losses but volumes remained thin. Market sentiment was cheered by news that banks and insurance companies would inject up to 500bn won into the market but no definite date was given. The composite index rose 31.11 to 756.87 in volume of 7.4m shares or 122.2bn won.

TAIWAN fell heavily on late panic selling on rumours that the government would go ahead with its proposed sale of shares in three state-run banks. If it happened, the privatisation could do severe damage to Taipei's already weak financial sector. The weighted index fell 510.41 to 8,059.14 and turnover jumped to NT$125.1bn from NT$82.9bn.

AUSTRALIA fell for the second day in a row, depressed by poor earnings reports from News Corp and ICI Australia. The All Ordinaries index fell 14.1 to 1,493.8. Turnover rose to 88m shares or A$169m from 82m shares or A$203m. News Corp plunged 55 cents at the opening after reporting a 74 per cent drop in net profit for the latest nine months, but recovered to A$10.15. ICI Australia reported late on Tuesday that its earnings halved in the latest six months. The stock shed 4 cents to A$4.48.



NEW ZEALAND saw profit-taking after its recent gains and turnover slowed as big offshore orders reached completion. The Barclays index fell 15.51 to 1,739.07. Turnover fell to 8.3m shares, or NZ$14.8m from Tuesday's heavy 40.7m shares or NZ$31.1m. Fletcher Challenge closed steady at NZ$4.36.

HONG KONG continued to fall on political concerns but a flurry of last-minute buying took prices off their lows. There were also reports that SirYK Pao's World Group would be following its retail arm, Lane Crawford, off-shore. The Hang Seng index fell 16.20 to 2,948.89, after a day's low of 2,981. Turnover eased to HK$1.05bn from HK$1.19bn.

SINGAPORE was lower on profit-taking after last week's gains. Singapore Land's capitulation to UIC also took away what little excitement there was in the market and the Straits Times index fell 6.51 to 1,524.35. UIC rose 1 cent to S$2.65 while Singapore Land rose 50 cents to S$15.00, UIC's offer price.

KUALA LUMPUR also fell in shrinking turnover in the absence of fresh news. The composite index dropped 1.92 to 557.82.

Athens soars on domestic buying

SHORTAGE of stock, and a new government led by Mr Constantine Mitsotakis gave fresh impetus to the Athens Stock Exchange last month as Greece led the dollar-adjusted performance of emerging markets covered by the International Finance Corporation.

By April 27, the ASE General Index was standing at 959.56, more than double its opening level for the year, and it has not slowed appreciably since then. By the close of trading yesterday it was 1,071.48, up 31.40 or 3 per cent on the day.

Tony Ewell, of Corporate Broking Services in London, observes that although the market is open to foreign investors, its April surge has been due to local enthusiasm: "Apart from the shortage of stock," he says, "there is a feeling that Mr Mitsotakis has made it after the third general election in ten months."

Local observers have reported euphoria, and queues of would-be investors carrying bundles of drachmas in plastic bags. Mr Ewell, and his colleague Ian Rolfe are inclined to be cautious about the international attractions of this situation, saying that while Greece's private sector, especially the well-run companies recommended by brokers, appears to be in good shape, there is much work to be done on the country's economy.

In a recent note, they said that a drastic reduction in public expenditure was required, combined with the sale of state assets. The implication is that a settled government, albeit one with a razor-thin majority, may have more luck in tackling the economy than previous coalitions.

Foreign investors, who make up about 10 per cent of the market, may have this in mind. There has been negligible depreciation of the drachma against the dollar this year, but Greece's inflation rate has climbed steadily from around 11 per cent to 18 per cent over the past 18 months.

William Cochrane

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	April* 1990	% Change on Mar 31 '90 (Dollar terms)	% Change on Dec '89 (Dollar terms)	April* 1990	% Change on Mar 31 '90 (Local currency terms)	% Change on Dec '89 (Local currency terms)
Latin America							
Argentina	(24)	280.73	6.4	−33.1	7,849,271	15.4	148.2
Brazil	(56)	83.16	32.6	−32.9	1,279,050	60.1	198.7
Chile	(28)	714.20	−4.1	15.4	1,585.94	−3.4	12.8
Colombia	(20)	251.53	31.8	10.4	1,038.01	35.7	22.6
Mexico	(54)	639.91	3.1	9.7	9,266.65	4.4	14.5
Venezuela	(13)	121.37	3.9	61.2	728.20	10.2	66.7
East Asia							
Korea	(63)	345.79	−16.4	−25.3	293.53	−15.2	−22.6
Philippines	(29)	1,624.93	−13.8	−15.7	1,826.40	−12.9	−14.0
Taiwan, China	(64)	1,289.67	−10.2	−2.2	859.16	−10.5	−1.3
South Asia							
India	(60)	199.96	0.5	−2.1	277.52	4.5	0.4
Malaysia	(62)	140.04	−10.6	−7.9	156.73	−11.0	−7.3
Thailand	(34)	370.29	−0.2	−7.5	352.59	−0.2	−6.6
Europe/Middle East							
Greece	(26)	555.71	53.6	97.3	709.35	54.4	107.1
Jordan	(25)	97.74	1.4	5.6	171.96	1.3	9.9
Portugal†	(27)	608.19	4.4	−10.7	584.58	4.1	−10.9
Turkey‡	(18)	301.15	1.0	24.1	988.74	2.8	34.6

*Source: International Finance Corporation. *At April 27 1990. Base date; Dec 31,1984. †Jan 1986=100. ‡Dec 1986=100.*

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 16 1990						TUESDAY MAY 15 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	134.32	−0.9	118.60	117.08	−0.9	5.93	135.59	119.83	118.14	158.31	125.85	135.48
Austria (19)	255.31	−0.9	225.45	218.22	−0.9	1.24	257.75	227.80	220.20	285.63	193.15	118.42
Belgium (61)	153.59	+0.1	135.62	128.78	−0.1	4.49	153.51	135.67	128.90	160.02	132.11	130.48
Canada (120)	135.13	+0.0	119.32	115.07	−0.4	3.48	135.12	119.41	115.55	153.61	130.37	137.20
Denmark (34)	250.33	+0.6	221.05	213.56	+0.3	1.55	248.80	219.89	213.01	260.82	236.69	175.99
Finland (26)	138.70	−0.6	122.47	113.39	−0.4	2.42	139.54	123.32	113.81	152.29	129.99	147.29
France (125)	166.16	+0.4	146.72	144.33	+0.0	2.84	165.54	146.30	144.31	188.85	141.69	113.37
West Germany (93)	133.70	+0.7	118.06	114.21	+0.5	1.94	132.72	117.30	113.61	137.71	122.05	80.92
Hong Kong (48)	122.11	−0.8	107.83	122.06	−0.8	5.10	123.12	108.81	123.12	126.90	112.24	137.50
Ireland (17)	183.10	+1.4	161.68	158.33	+1.2	2.77	180.57	159.59	156.53	198.67	172.72	141.30
Italy (96)	104.73	+0.6	92.48	94.50	+0.5	2.52	104.12	92.02	94.05	104.73	91.85	77.10
Japan (454)	153.61	+0.2	135.64	146.96	+0.1	0.56	153.36	135.54	146.77	197.26	124.40	183.54
Malaysia (35)	222.34	−0.7	196.33	231.03	−0.4	2.33	223.81	197.80	232.04	245.32	204.15	183.21
Mexico (13)	477.33	+3.0	421.49	1473.03	+2.8	0.35	463.53	409.67	1432.73	477.33	324.53	186.47
Netherland (43)	143.83	+1.3	127.00	121.24	+1.1	4.65	141.96	125.47	119.87	145.66	130.43	112.54
New Zealand (17)	62.76	−0.9	55.42	58.05	−1.0	7.57	63.32	55.96	58.66	75.36	59.57	69.68
Norway (23)	241.55	−1.0	213.29	209.67	−1.2	1.49	243.90	215.56	212.20	245.90	202.34	181.46
Singapore (25)	198.21	−0.7	175.02	169.25	−0.4	1.94	199.53	176.34	170.01	199.67	179.70	159.80
South Africa (60)	191.85	+1.4	169.41	166.09	+1.4	3.58	189.17	167.18	163.78	251.39	173.80	133.32
Spain (42)	164.40	+0.3	145.16	128.15	+0.0	4.14	163.93	144.89	128.11	165.19	132.84	147.75
Sweden (35)	199.51	−1.0	176.17	177.58	−1.0	2.27	201.54	178.12	179.39	208.95	173.69	154.94
Switzerland (66)	100.45	−0.1	88.70	87.12	+0.0	2.37	100.57	88.88	87.16	102.05	88.75	69.18
United Kingdom (305)	150.64	+0.5	133.02	133.02	+0.4	5.00	149.85	132.44	132.44	164.31	139.87	144.14
USA (537)	142.97	−0.1	126.24	142.97	−0.1	3.39	143.11	126.48	143.11	145.40	130.61	129.36
Europe (985)	144.40	+0.5	127.50	124.65	+0.3	3.60	143.69	126.99	124.23	146.66	135.57	115.21
Nordic (118)	197.32	−0.4	174.23	165.25	−0.5	1.90	198.04	175.02	166.11	201.89	185.01	151.18
Pacific Basin (660)	151.72	+0.1	133.97	144.74	+0.1	0.87	151.58	133.96	144.64	192.75	124.63	179.57
Euro−Pacific (1645)	149.15	+0.2	131.70	137.01	+0.2	1.94	148.78	131.49	136.78	174.18	130.35	153.83
North America (657)	142.40	−0.1	125.74	141.12	−0.1	3.40	142.53	125.96	141.26	145.78	131.02	129.74
Europe Ex. UK (680)	138.60	+0.5	122.39	118.99	+0.3	2.77	137.95	121.92	118.66	139.50	124.81	97.36
Pacific Ex. Japan (206)	128.43	−0.9	113.41	116.22	−0.8	5.23	129.64	114.49	117.19	139.32	122.53	131.87
World Ex. US (1838)	149.28	+0.3	131.81	136.91	+0.2	2.00	148.89	131.59	136.67	173.77	131.30	153.07
World Ex. UK (2070)	145.48	+0.1	128.46	139.44	+0.0	2.22	145.33	128.44	139.38	162.00	130.80	143.53
World Ex. So. Af. (2315)	145.64	+0.1	128.60	138.59	+0.1	2.47	145.45	128.55	138.49	161.84	131.95	143.63
World Ex. Japan (1921)	143.37	+0.1	126.60	134.78	+0.1	3.54	143.19	126.55	134.70	145.52	134.92	124.53
The World Index (2375)	145.92	+0.1	128.85	138.78	+0.1	2.47	145.72	128.78	138.66	162.05	132.25	143.56